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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Comments:
Thank you for allowing me to comment. I really like that the "finance charge" is being changed to "interest and settlement charges". I feel that prepayment penalties need to be banned. No additional compensation should be given for prepays, adjustable rate mortgages, or anything harmful to the borrower. Additional compensation should be paid based on the interest rate. It is not fair and it is not right that banks and lending companies can choose the rate and be compensated for that but not the loan originator. Mortgages are bonds. They are bought and sold in the bond market, depending on the interest rate they sell for more in the bond market. It is ridiculous to change the entire system. Also this would take away borrowers options of paying all their closing costs and getting a lower rate, and their option of getting a higher interest rate and paying no closing costs. Eliminating compensation based on the interest rate would be a tragedy to the consumer. Providing the consumers with an explanation of the APR and what it represents is a great idea. Showing the interest rate next to the APR is a great idea. Requiring all fees to be part of the APR is a great idea and should have been done years ago. The property taxes should not be included as part of the APR. The lender has no control of the property taxes. In the state of Utah property taxes are due in November. If I am originating a loan in November we must include the entire property tax amount to be paid at closing. Sometimes the current lenders will pay the property taxes right before we close. If the proeprty taxes were part of the APR and the proeprty taxes got paid by the current lender right before we closed, we could be out of compliance because that property tax fee would disappear. If that pushed us over the .125% mark for MDIA we would have to completely redisclose and wait 3 business days to close the loan. Fees the lender requires that the seller is paying should be required in the APR. Whether the seller or the buyer pays the fees, they still are fees that should be calculated into the true cost of a loan. Section 19(a)(2)(iii) alternative 2

is the best. Addition of a adjustable rate, prepayment penalty, Negative amortization, or balloon payment should not be allowed. if the loan terms change complete redisclosure should be required. My opinion is that prepayment penalties, negative amortization, and balloon payments should be banned. no-documentation or low-documentation loans. section 226.19(b)(2)(ii)(E) great idea that the creditor would have to disclose a statement that the consumers loan could have a higher rate and fees if the borrower does not fully document his information. This is a great idea. When countrywide was in its prime I knew alot of countrywide employees that sold only NO-Doc loans with .25% higher interest rate. They sold these loans becasue they were simpler and easier. Even though though the borrower qualified for a cheaper rate, they still placed the borrower into a no-doc higher rate loan out of laziness. This practice needs to be stopped. Changing how loan officers get paid is a bad idea. Loan officers compensation needs to be based on the interest rate. Consumers have the right to shop for the best rate and fee structure that fits their situation. The new good faith estimate does a good job. It does not allow lenders to increase their rate or fees after the loan has been disclosed. Changing how loan officers get paid will not work. Because the person paying the loan officers are still getting paid the same exact way. It would not be feasible or realistic for loan officers to be paid a flat fee or a flat percentage point per loan. Flat Loan officer compensation would hurt the consumer because loan officers would not be able to lower their fees and their commission to offer a borrower a more competitive product. By changing how Loan officers are to be paid would result in Quality Loan Officers leaving the business and onle inexperienced new loan officers would remain. Resulting in lower quality mortgages, more fraud, lower quality mortgage bonds, lower quality mortgage origination consumer experiences. Look what happened with the HVCC. Once the HVCC hit the market about 60% of the quality appraisers I knew left the industry. Over night their entire business was shut down. The AMC's were only sending business to the appraisers who would do the appraisal for the lowest cost and the soonest time. The more experienced quality appraisals no longer got any business because they spent their time to develop a quality appraisal. Limiting Loan officer compensation would result in banks hiring horrible inexperienced loan officers who they would not have to pay very well. Lower quality loan originators would hurt the consumer just like the ridiculous HVCC has cost the consumer millions of dollar s. with setting Loan originator compenstion the loan officer would not have a financiaincentive to offer a lower rate.
HOWEVER, the loan officers managers would have a financial incentive to raise the rate and become more profitable. You still have the same problem. My idea is not to allow any company to pay more money on any other loan, then what they are paying on a fixed rate vanilla loan. That way originators still get paid based on the interest rate and yield spread, and it is guaranteed that the borrower will not be steered into a worse loan that pays the originator more money. This type of proposed compensation will hurt the consumer and small businesses. what about only requiring fixed Loan Officer compensation on higher risk loand, but leave compensation the same for FHA and conventional conforming loans? Flat fee compensation could never work due to different loan amounts, and the fact that what the bank gets when they sell the loan is based on loan amount. banks would go completey out of business if they originated many low loan amount loans. The APR should be placed on the GFE. That way the borrowers could have one document to compare not 2. The GFE should explain how the APR is calculated from the charges below. Consumers do not, and will not shop for a loan using an APR. It is too complicated and consumers often dont understand it. What they do understand are simple numbers like interest rates, and total closing costs. Every time my consumer is trying to make a decision, they first

look at what the interest rate difference is, and they second look at what bottom line closing costs were. I have never once had a consumer compare the difference between the APR's. bottom line closing costs and interest rates are enough information for a consumer to make an educated decision on what loan is best for them. How is the average APR offered to borrowers calculated? does it change daily? does it change in the middle of the day. is it different for different types of loans. This would be a completely stupid idea, the reason is if you are going to compare to APR's you should compare apples to apples. If 2 people with 800 credit scores were doing an fha loan and a conventional loan at the same time. The FHA loan would have a much higher interest rate due to upfront mortgage insurance premiums and monthly mortgage insurance premiums. It would be unfair to compare the fha loan APR to a conventional loans APR. Also, if you were doing a adjustable rate mortgage, the APR would be much lower that the average APR because the interest rate would be considerably lower. Also, interest rates change daily. If the APR was calculated based on last weeks APR's the new APR would be totally off. This would accomplish nothing because the system and average APR is completely flawed. This idea is utterly ridiculous, accomplishes nothing, would be impossible to implement, hard to explain to borrowers, confusing, and entirely stupid. Please remove this. Negative Amortization loans should be prohibited, or strictly regulated. Prepayment penalties should be eliminated. I really like H-4(B) Adjustable rate loan program model form. I think this is a very good form. Very easy to understand. very simple. I like this alot. H-19 (A) the graph is a bad idea. It compares apples to oranges, and will confuse borrowers. Seriously, who thinks up this stuff? Borrowers need to be able to compare apples to apples, loan type to loan type, todays interest rate to todays APR. besides the graph Page 1 is good. But I would recommend further breaking down the monthly payment, so it appears the same as the 1003 and GFE. H-19 (C) Negative Amortization loans need to be eliminated from the marketplace. Thank you again for allowing me to post my comments. I think you guys are doing a great job. I really like alot of the proposed changes in R-1366. However changing Loan Officer compensation does not work and it is not practical. Have a Great day Anthony VanDyke