

From: California Association of Mortgage Professionals & California Association of Realtor,
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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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Restriction of YSP by proposing a flat fee with each lender will be highly restrictive. A flat fee regardless of loan amount will penalize lower loan amounts and encourage loan originator to get the origination from the Borrower instead of being limited by a flat fee. This in turn will eliminate the 0 point loan and take away the choice of increasing the interest rate in order to have more cash NOW. It is interesting that the logic behind the limitation is the fact that the Board does not believe the consumer CAN NOT COMPREHEND the choices. After HUD and RESPA have made exhausting changes to the Truth and Lending and Good Faith Estimates starting 2010, and even going so far as to have the loan originator give three choices in the disclosures. WHY DON'T YOU GIVE THE OTHER AGENCIES AND LEGISLATORS AND REGULATORS A CHANCE? At present the loan originators have been diminished to 25% of what they were in mass. Hopefully most of the bad apples are gone. Associations like the National Association of Mortgage Brokers and the California Association of Mortgage Brokers stand last with standards and ethics helping the consumer through the changes that have taken place in the last year. We are supportive of the S.A.F.E. Act and want all loan originators to abide by the same rules. Our services go far beyond getting a loan for a consumer, especially with all the Risk Based Pricing costs associated directly with a Credit Score. Take a look at the Fannie Mae Matrix for an individual with a 677 credit score trying to refinance their home at 80% LTV. On a \$400,000 loan their cost will be 2.5 point = \$10,000; and if they wanted cash out for home improvement (stimulate the economy) then this is an additional 1.5 points = \$6,000. That's right a total of \$16,000 in fees for FANNIE MAE. A good loan originator will analyze the credit and see what has to be done to increase the credit score to reduce these debts. An increase of 22 points achieving 700 will reduce the 2.5 to .75

points and the cash out hits of 1.50 to .75. So instead of \$16,000 the cost would be \$6,000; as savings of \$10,000. I personally do not charge for this service but still only get my compensation from the Loan, and now you want to make it a flat fee. We will have to figure out a way to charge for this added savings as the Banks normally will not provide this service. There may be other agencies to regulate, as these additional costs to the consumer were never up for comment or discussion.