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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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As a 12-year veteran in the mortgage industry I'd like to briefly comment as to why proposed changes to mortgage broker compensation should not be implemented under Reg Z. It's time that the government recognize that U.S. homeowners have an IQ higher than a cow. Consumers know to shop for the best loan possible, and the new GFE and MDIA disclosures ensure that they do even if they didn't feel the need to before. This isn't a complicated matter that requires government oversight or regulation. It's a very simple principle that's been in place for quite a while, and contrary to the propaganda, has worked wonderfully for the vast majority of borrowers: Wholesale Interest Rate + Yield Spread Premium (disclosed) = Retail Interest Rate to the consumer. Wholesale Interest Rate + NO Yield Spread Premium = wholesale rate to the consumer, fees known to the consumer to be paid on the front. Encouraging, rather than limiting, a loan originator's ability to customize a loan that meets with the CONSUMER'S acceptance should be in everyone's interest. You have successfully implemented a new GFE, along with HOEPA, MDIA, HVCC, and RESPA reforms in the interest of consumer protection in 2009. The American homeowner knows what's most important to him or her, and nothing will force someone to accept a loan with unacceptable terms with the sheer volume of competition that exists in today's marketplace -- brokers included. There are already Federal and state-level caps on broker/lender total compensation -- the concept of further restricting YSP and lender fees paid on the front of a loan isn't new. Your recently revised "High Cost" threshold for mortgages (1.5% over an index) should prompt you to consider how a loan originator can be expected to offer a fair rate and fees to a consumer seeking a $50,000 loan or less without the benefit of structuring a product that pays him a certain disclosed percentage of Yield Spread plus some other up front fees if necessary to make a profit.
Provided the CONSUMER finds the proposal fair why should the Fed seek to

further control the originators already-regulated earnings? Consumers want either: a) the lowest possible interest rate, thereby lowest monthly payment, and are willing to pay for that, or; b) the lowest loan costs, as long as the interest rate is within reason, or; c) some combination of the above. Customizing each and every loan to meet both the consumer's mortgage budget AND cash to close is a valuable and essential service -- it is precisely why millions of borrowers choose to obtain loans through brokers annually. The disclosure of earned Yield Spread Premiums has been law for years now - it's not something new in the latest GFE requirement. In seeking to "protect" the American homeowner from his own ignorance you cannot do away with the ability for the consumer to choose who he wishes to do business with. The new disclosures required after Jan. 1st, 2010, should be allowed reasonable time to see how well they're received by the consumer public before implementation of any further reforms that would limit consumer choice. The new disclosures make it impossible for the consumer NOT to know what the total costs of his loan are, including the YSP paid to an originator under the law. You've done what you can reasonably be expected to do in the interest of consumer protections. With all due respect, regulating what a loan originator can or cannot earn as a result of providing independent services in the face of what now amounts to nothing short of universal options available to anyone willing to shop around over-extends your reasonable intervention and does nothing to solve the current economic problems facing virtually all homeowners. There is no data to support the notion that borrowers are somehow injured by an originator earning a Yield Spread. It's also worth mentioning that independent loan originators aren't "fat cats", sitting around in high-end office space while brain-dead loan prospects line up at their doorstep waiting to be taken advantage of in every conceivable way. Most loan originators are responsible for their own marketing, travel, utilities, supplies and other job-related expenses, just as many real estate agents do. There are no health insurance or retirement plans available for the vast majority of independent loan originators who work for small to medium brokerages nationwide. And every loan originator working under a broker splits his commissions with his employer. The notion that a $3000 commission translates to equivalent net earnings is simply fallacy. A loan originator is likely to net roughly 35% of the gross commission paid after taxes and expenses. Any government attempt to reduce or minimize earnings will only drive loan originators to seek other employment, thereby reducing consumer choice and contributing to a monopolizing of the mortgage industry by the big banks and increasing unemployment unnecessarily. Gve your other implementations time to set in before wielding what amounts to a death blow to the housing markets by eliminating more brokers from the playing field. Remember -- you won't be buying MBS next quarter, and that will effect the housing recovery. You've made reforms to lending disclosures that need time to be properly implemented--allow them to do so. Thank you in advance for your consideration.