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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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The current proposal of a flat fee from the lender to the Broker harms consumers and mortgage brokers for the following reasons: 1.It hurts the consumer because they will not be able to get a broker credit to help pay closing costs, and will have to bring a lot of cash to close. a.Often borrowers agree to a slightly higher interest rate knowing the broker gets a higher YSP and they will receive a Broker credit from a portion of the YSP at closing. We do this often, especially in refinance transactions where the borrower does not want to pay out of pocket. 2.The current proposal will cause all borrowers to pay origination, an added closing expense. We always present our clients with the choice of paying origination or taking a slightly higher interest rate and not paying origination, (we take our compensation from yield spread instead of origination). Most consumers prefer not to pay origination. 3.If YSP is capped or banned, the mortgage brokers will not be able to compete with mortgage bankers because they will not be able to offer no cost / low cost loans by use of YSP/SRP. 4.It hurts the mortgage broker because they would have to practice defensive mortgage lending due to fear of lawsuits. If mortgage brokers are required to have a separate agreement with each lender, and offer the best interest rate to the borrower that is not influenced by the broker's compensation agreement with the lender, the only way to know this is for consumers to sue the brokers. Defensive mortgage lending increases administrative costs that will have to be passed on to the consumers. Possible Solutions: 1.Cap total compensation from all sources whether it is YSP/SRP and/or Origination for Mortgage brokers and Mortgage Bankers. I propose the following fee schedule: Loans 0 to 75K capped at 5% total comp Loans 75K to 150K capped at 3% total comp Loans 150K to 300K capped at 2.50% total comp Loans 300K and above capped at 2% total comp This is an easy fix to the problem of steering, and the problem of unscrupulous brokers taking advantage of

consumers. In fact, it will help to push the unscrupulous brokers from the industry. We rarely make over 1.50% total compensation on any loan we originate. Usually compensation is 1% to 1.25%. We have no issue disclosing all origination and yield spread, and have been doing so since 2007. It is our belief that the unscrupulous brokers have mostly left the industry with the tightening of the underwriting guidelines, National licensing requirements, HVCC, and now with implementation of the new GFE/ HUD-1 there will be more pressure for them to leave. 2. Let the new GFE/ RESPA changes take effect and see how it mitigates the problem of steering before making any changes to limit YSP. The new GFE/RESPA changes require all fees disclosed at the beginning of the loan and the yield spread is clearly shown. There is nothing hidden from the consumer. Mortgage Bankers should be required to do the same since their SRP is the same as YSP. We are a mini correspondent / mortgage banker with one lender and we know exactly what YSP/ SRP we are going to make from the start of the loan process. We have had enough changes in our industry in the last 2 years and at this point it seems we are making changes after the problems have already been corrected. Thank you for giving us the chance to comment. Please call me at xxx-xxx-xxxx if you would like to discuss these issues. Or I will be glad to fly at my cost to meet with you if you so desire. Sincerely, Jeff Blackwell.