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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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I am opposed to this new rule affecting the YSP. I don't believe we fully understand the consequences of this action. Below are a few reasons why I and many more mortgage professionals see this as damaging to the mortgage industry and most importantly harmful to the consumers. First of all the smaller loans will need to have increased fees to offset the compensation payout to the loan officers. The rule will force lenders to compensate LOs on an hourly or flat fee basis. Thus a small loan will pay the LO the same as a big loan. The problem lies in the profitability of that small loan. The secondary market goes off dollar amounts, not units. Thus a million dollar loan is more profitable than a 50k loan. The only way to pay an loan originator for a small loan is to increase their fees to eliminate them all together. Secondly, I often credit back my YSP to the borrower for closing cost. This new proposal will not allow me to do this. Thus the customer will have less options and flexibility for their new loan. This will eliminate many customers (many of them are first time homeowners) for home loans. My third issue with this proposal will effect overall competition. This rule will favor the large retail banks. The same ones who took the Tarp money. The smaller broker company will not be able to compete with the larger companies who provide salary wages while many brokers and LO are paid on commission based. The broker business is only 12% of the overall lending (down from 25%). While the retail banking is up to 46% (Mortgage News). Many large retail banks are closing their wholesale channels (JP Morgan Chase) which is eliminating channels consumers can obtain mortgage loans. I suggest we place this rule on hold while we work through the new GFE implemented by HUD and effective 1/1/2010. Dictating the way and amount business and industries pay employees is wrong. This will stifle competition and ultimately hurt the consumer. Allow the customers to make educated decisions.