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Subject: Truth in Lending

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Comments:

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12-23-2009 RE: Regulation Z by Section 226.36(d) Kristy Ruhkala Sierra View Financial, Corp. 8788 Greenback Lane, Suite 104 Orangevale, CA 95662
The changes proposed to Regulation Z by
Section 226.36(d), Prohibited Payments to Loan Originators will negatively impact the consumer and the lenders. 1) The new GFE is 3 pages, instead of 1. It unfortunately, does not include more helpful information; instead it will confuse the borrowers because of: a. Fees are not listed out (grouped together and thus harder for comparison shopping.) b. The new GFE does not show total estimated mortgage payment, which is the most important item typically to borrowers. c. The new GFE does not show total estimated money needed to close the loan, which is usually the second most important item borrowers want to know. d. Title fees, lender fees, appraisal fees do change depending on what lender you go to. As consumers "change their minds" on loan options often, situations or circumstances change (sometimes causing the loan to be unavailable or at a higher cost that may not have been known up front) many time it is necessary to switch lenders FOR THE CONSUMER, to give them a better loan, via better terms or interest rate. Asking mortgage originators to quote a loan exactly is just not possible. To have mortgage originators have to pay for anything over than originally quoted, will ultimately drive up the costs, because to protect ourselves, originators will have to quote higher fees than may be necessary. Also, making it very hard to change loans, when sometimes consumers change their mind or their situation changes right in the middle of the loan. Please see that our options are being eliminated, which gives the consumer less options. e. Interest rates and compensation to originators can and do change by the minute. Again, it's possible to change to a different lender for the BETTER of the CONSUMER, but these new regulations may hamper us from changing lenders and getting them the better interest rates because we originators will be "trapped" by the GFE. f. An originator can offer a rate, for example, of 5.00% and make a variety of compensations from different lenders. Just like the stock market, you have to choose a stock (or

a lender) out of many to choose from and you have to "lock" or choose to "buy" at the best time possible, to get your BORROWER the best rate possible. I watch the market very closely and target when the consumer can BENEFIT THE BEST as well as keep or better my compensation; both are important. Originators who watch the market closely can help their Consumer lock in their interest rate at the best time. This new GFE takes away the opportunity to BETTER THE RATE FOR THE CONSUMER (We have to quote on the high end, due to this GFE and may not want to move to a different lender because of the fee changes, that we are not allowed to change.) Skilled mortgage originators can make a better living, even if the interest rate is the exact same rate from lender to lender; just like a skilled buyer for a retail store or a skilled trader for any industry. We need to be allowed to do our job. These new regulations will hurt the consumer, by giving the mortgage originator less flexibility. We need the flexibility to HELP THE CONSUMER. g. The YSP (yield spread premium) is the amount paid to the originator for bringing the loan to the lender. This compensation is currently listed several times, so the consumers are aware of the compensation to the originator. Receiving the YSP does NOT effect how the borrower compares their "out of pocket" loan fees and their interest rate. The best fees and the best interest rate win. However, many originators will make different amounts on the very same fees and interest rate, which is due to the expertise of the originator, which is partly how we are compensated for knowledge and expertise. The YSP is for the originator who brings the loans to the lenders and banks so they don't have to pay the high marketing fees and huge sale costs of obtaining these loans themselves. The YSP varies greatly by lender to lender and market conditions, which the originator has to risk by quoting a loan. The YSP compensation is the originators, not the borrowers. Please note a quick example: I quote a 5%, my fees stay the same, and 1 day I make $1,000 and the next I make $2,000 because I expertly watched the market and was able to secure the same or better deal for the client and the same or better deal for me. My expertise in the market, not the clients, helped them get a better rate and also my commensuration happened to be higher in this case, (can go the other way too and does) should go to the originator as it does now. Please take the time to fully understand this. This compensation change to the originator did not affect the consumer in any way; it was just a better day to buy, just like a stock brker. This is our income and our skill. YSP must remain with the originator. It is very interesting and alarming to me that mortgage originators seem to be targeted here. The new laws and regulations will not help the borrower and will actually confuse them more. Mortgage Originators are needed to HELP BORROWERS get the very BEST loan opportunity. Originators can search many banks and lenders quickly, which the consumer is unable to do without us. Is the purpose of these new regulations to HELP THE BORROWER or NOT? Please, look at these regulations more closely, these new updates are not doing anything, but hurting the consumer by tying our hands, and thus giving the consumer less options. I also want to pose this question. Why are mortgage originators the target here? Why don't the banks have to spell out exactly how much they make? What industry does not allow the consumer to change their mind, the seller to change companies if it benefits their client, make the originator stick to rates that everyone knows change daily? It's nearly impossible to see any positive reason for the consumer in these new regulations if you work and live in this industry. Let's take it another step; do we know how much doctors make on each visit? Do we know how much the sales man at the auto dealership made? Do we know how much the lawyer made? Can the lawyer have more fees than he thought originally arise? Of course he can! Does the lawyer have to eat all costs, he didn't estimate up front? What about our dentist, our grocery

story (each and every item), our Accountants or Stock Brokers? The mortgage originators and brokers are being targeted here unreasonably. This is a professional business and how we make a living. Consumers will not come back to us if we do a poor job for them. You have to have repeat business and referrals to work in this industry and if not, originators will not make it.
We have to do a good job for the consumer and find them the best rates and fees to stay in business. The original GFE is an ESTIMATE because fees DO CHANGE LEGITAMELY. The current GFE spells out each and every fee, shows the interest rate, the estimated payment and what funds the borrower may have to bring in to close. The current GFE shows the estimated rebate or compensation to the originator. This is what the lender is willing to pay to the originator for bringing them the loan and doing all the work on behalf of the client.
Lenders compete, just like all businesses, to get more originators to use them. Originators choose their lender and compensation can vary greatly from lender to lender on the exact same rate. Plus, you have huge market variations to consider that can occur daily. How can we be asked to make our fees and compensation exact and not changeable? Honestly, it's plain ludicrous.
Already our fees are spelled out again and again on each page. Consumers already shop with the current GFE very effectively and compare all the fees very
carefully. However, just like in all industries, not all originators offer the same amount of skill or knowledge. If the consumer only shops by the "better interest rate" or "better fee" their loan may not even go through or the consumer may have a very difficult time because an unskilled originator priced it too low, but got the business. This business is a professional business, we're not all THE SAME, and it's not all the time only about rate and fees.
Service and expertise are other big factors that consumers must consider seriously. Do different accounts or lawyers offer better service than others?
Of course, some are better than others and should be paid accordingly right?
Are you sometimes willing to pay more for an individual that you may feel is more capable of handling your personal situation? Of course, this is true.
The GFE is showing the fees and the rate are the only focus, which is not the case. At the same time, not allowing the skilled professional all the options necessary; options to do the best possible service they can for the consumer. It is unreasonable to think that the rates and fees don't change in the process. Borrowers already competitive shop better with the current GFE than the new proposed one. The new GFE will hamper us from loss of flexibility and thus ultimately also hurts the consumer. Please seriously consider what is really more helpful to the consumer and halt these new regulations until all people involved are POSTIVE that the new changes would actually help the consumer. If you are going to take the time and effort to change an entire industry that benefits the consumer more often than not, please consider the new changes more cautiously. Many livelihoods depend on working in a "reasonable" industry with reasonable requirements and flexibility to do our job for the consumer; I ask you not to make these changes that will not help the consumer or mortgage industry. Sincerely, Kristy Ruhkala Mortgage Consultant