From: Dan Pareja

Subject: Reg Z - Truth in Lending

Comments:

Date: Dec 21, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
Document ID: R-1366
Document Version: 1
Release Date: 07/23/2009
Name: Dan Pareja
Affiliation:
Category of Affiliation:
Address:

City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:
I am writing this letter in response to the proposed legislative changes regarding compensation of mortgage brokers, originators and/or lenders. Please understand that by passing the proposed legislation you will not only add to the current financial debacle that is the U.S. Economy, reduce consumer options, and add to the continually increasing unemployment figure. Yes I did say increasing. lets not sugar coat anything here. We all know that the only reason unemployment figures have seemed to tail off is a direct result of workers unemployment benefits expiring rather than them actually finding work! If you goal is to weaken the economy further, add to the unemployment rate, create a monopolized industry and eliminate a consumers mortgage options then this proposal is for you! If this is not your goal then you should consider going back to the drawing board. A large part of the problem is that the proposed legislation achieves nothing for the consumer other than limiting their
options. Please keep in mind that typically brokers are able to offer a better rate than its bank counterpart and still achieve some form of Yield Spread Premium. This is clearly disclosed on the settlement statement yet Banks have no such disclosure. Shouldn't you be asking the banks why the brokers can offer a better rate while still achieving YSP? I mean how is that possible if the brokers are the ones taking advantage of the consumer? You might be asking yourself at this point how I can make statements like this. The answer is that I have worked for a large bank and have chosen not to be associated with them for the very reasons you are going to eliminate brokers. They drive their employees to sell the most "profitable" products as this helps the banks profitability and in turn the stock value. In addition the "par" pricing that I could offer at the bank was a rate that would pay a substantial YSP if I had been a broker. In other words I could charge the client little to NO fees if I had been with a broker at the same rate as I was offering at the

bank with ALL the customary fees or given them a BETTER rate for the same fees quoted by the bank. For some reason Banks continue to get a pass when the legislation that should be revised is the legislation that regulates the retail side of Banker originated loans not that of a broker. If you want more disclosure have the client sign a SIMPLE document that explains it. You are not giving the consumer enough credit; if you allow a document to be created that is simple to understand, believe me they will understand YSP. Furthermore require banks to do the same with SRP; why should they be any different? Ultimately if this passes both the consumer and everyone in a mortgage related industry will suffer mightily. Consumers will pay more for a product that has less value (HVCC is a prime example of recent failed legislation) and a mortgage will become something one can only obtain by going to a large bank. The banks will have monopolized the market and you will have given them the means by which to do it. Rates will go up, SRP's will rise and they won't have to disclose a thing! Is that in the best interest of the consumer? Please do not pass this bill as it will NOT have a positive affect on the mortgage/housing industry or the consumer and will ultimately fail just as HVCC is failing now. If you seek changes than please seek out professionals in the industry throughout the country to help you come up with an alternative that will work rather than one that has no chance of success. Sincerely, Dan Pareja