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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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Comments:
I am writing to comment on the proposed changes in loan officer compensation that I understand are being considered by the Federal Reserve. I find them very disturbing in the lack of understanding of the mortgage industry that this idea seems to reflect. At the heart of this proposal seems to be the belief that both all mortgage applicants and all mortgage loan officers are the same - that we are robots or order takers that bring no value added to the home loan application process. The fact is that all loan officers are not the same, and some offer better or more comprehensive services that others. That is true both between companies and within a given company. As in any profession, THE SERVICE FROM SOME PEOPLE IS WORTH MORE THAN ThAT FROM OTHERS. Although this proposed compensation change seems to assume that all home loan applicants are idiots, and need their government to remove all person personal responsibility from their lives, that is not the case. When my clients ask me if they will get the best interest rate on a home mortgage from me, I ALWAYS tell them that I don't know, and that I don't make that claim. I tell them that is what MY services cost. It is up to the individual to shop, like they do for any other commodity, for the combination of quality and price that best suits their needs. Some clients find slightly lower interest rates on the internet than will be available from a local lender. It is my experience than the correspondence service from a remote lender is most often a FAR INFERIOR, limited service product. If a client either needs to, or choses to make that trade off, they should be free to do so. BUT ONE PRODUCT HAS FAR GREATER VALUE THAN THE OTHER. If you remove the ability for a loan officer or lender to tailor the level of service (and corresponding cost) to individual client needs, you will be doing a disservice to both the lender and the client by artificially limiting the scope of available mortgage options.
Enforcing a flat price, one size (or price) fits all whether you like it or not enconomy has been tried. It was called communism, and it failed because THE DECISION MAKERS WERE TOO FAR REMOVED FROM THE DAY TO DAY REALITY OF WHAT

THEY WERE REGULATING.   All clients are not the same. It may take me three hours of work to guide some clients through the application and approval process. Clients who are ecomically sound enough to be approved that easily are typically financially savvy enough that they don't need Federal Reserve protection from themselves. There are other clients that may require forty hours of work over several months to obtain an approval. They may need credit repair, guidance on saving for a mortgage, developing a satisfactory employment profile, or any number of individual factors that require counselling. For the Federal Reserve to tell me that I should be paid the same thing for a three hour job as I am for a forty hour job is assinine, and reflect the lack of a BASIC UNDERSTANDING of how mortgage origination works. It is frightening that an entity that is apparently so unqualified to make such changes has the authority to do so.   It is my understanding that flat price compensation is intended to protect the public from greedy, unscrupulous loan officers. I think that your time would be much better spent regulating the greedy, unscrupulous investment bankers on Wall Street (something that the Fed. seems unwilling or unable to do). But then there is a strong financial connection between the FED and Wall Street, isn't there. If I have the choice of getting paid a flat $800 to originate a loan that will take 3 hours of my time, or get paid the same $800 to originate one that will take forty hours, which one do you think that I will do? The business world (unlike government) works based on the return on invest - in this case, investment of time. If this plan is intended to protect the needs of the the borrowering public, it will do just the opposite. If new compensation rules don't allow loan officers to get paid for their time in serving the "hard to approve" client, they just won't worh with those clients at all. To do so would be a bad business decision. Your efforts will have the opposite effect of that with was intended. A growing segmnet of the general population will have less access to mortgage lending, not more, and to worse service, not better.   While this plan may be a well intended, knee-jerk reaction to a percieved problem, it is ill concieved, and creates far more problems for the general public than it solves. Sincerely, Roderick A. Parker