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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:

Thank you for the opportunity to comment on the proposed rule amending Regulation Z with respect to closed-end mortgages. I am a loan originator working in Scottsdale, AZ. I received a BBA from the University of Texas at Austin, and an MBA from Arizona State University. I have worked in the financial services industry since 1992, and the mortgage industry since 2002. As a professional mortgage lender, I have been disgusted by the damage that unethical and dishonest loan originators have inflicted upon our industry over the past several years as they placed homeowners in mortgages that in no way bettered their financial situation. However, the current proposals regarding compensation will not improve the quality of the professionals in our industry nor will they improve the advice or service received by the American homeowner. Our industry has been in need of reform for some time. Up until recently, there have been no licensing requirements and no education requirements to originate a loan. I am a proponent of licensing and continuing education requirements. As proof, I have invested the time and training to receive my Certified Mortgage Planning Specialist designation from the CMPS Institute, and later this month will be completing my third weeklong course at the Mortgage Bankers Association to receive my Accredited Mortgage Professional designation. I firmly believe that it takes skilled and well-trained individuals to properly understand potential borrowers' financial requirements and how those requirements translate into borrowing capacity. Even traditional underwriting guidelines will often steer borrowers into loans that they cannot afford over time. As I tell my borrowers, "Just because you can qualify for a particular loan amount, it does not mean you should borrow that amount." Experienced and properly trained loan originators provide a valuable service to Realtors, builders, as well as current and prospective home owners. Clearly, the proposed compensation requirements would greatly reduce the income opportunity for many in today's mortgage market. Responsible institutions have already implemented caps within their organizations to protect against price gauging. I have worked for three lenders in the past 6 years, all of which enforced internal pricing policies to protect against unfairly pricing a loan. They did not need federal guidelines dictating to them how to do this. A competitive market will force those lenders

who have not implemented reasonable pricing caps to soon implement them or face a loss of clients. If you were a potential borrower, wouldn't you feel more comfortable obtaining a loan through an institution that advocated such protections for their clients? Numerous loans require a great deal of extra time as a result of personal financial challenges faced by many, especially in today's economy. We are often compensated on these time consuming loans by charging a slightly higher rate. Many of these buyers or homeowners have come to me after they have tried to obtain a loan through their bank or credit union, but found the individuals at these financial institutions, who are generally salaried and paid on the low end of the industry's pay range, lacked the skills required to guide them through the approval process. These clients, often low income earners, those with multiple jobs, and the self-employed would face increased difficulty in obtaining mortgage loans as educated and experienced lenders exited the industry to obtain compensation commensurate to their experience and education. In addition, would educated and talented individuals choose to enter a field whose income opportunities are capped due to federal guidelines? I suggest they would not. Today more than ever, the skilled and professional loan originator can play a key role in the process of rebuilding the damaged real estate economy. The proposed compensation restrictions will have the effect of funneling loans through the large banks, whose salaried call center loan personnel would not have the education, experience, or expertise to properly serve the American public. Home sales would fall as the service Realtors and homebuyers often require would suffer due to the lower-quality loan originators employed by these call centers. Healthy competition is vital to the American consumer. The proposed compensation restrictions would restrict competition due to the reduction in the number of mortgage companies and lenders servicing buyers and homeowners. I can understand why many of the large banks are in favor of the compensation restrictions. A loan has a certain value in the secondary market based on size and terms. If the customary practice of compensating the originator based on the value of this loan in the secondary markets (due to the size and terms) is overturned, the banks would then be able to keep the income generated by the loan rather than paying it to the individual responsible for originating the loan. This provides a tremendous incentive to the banks that have the ability to build and support the massive call centers these proposed changes would bring about - not because they are better for the American public but because they enhance their bottom line. To reiterate my point, changing the manner in which loan officers are compensated for funded loans, in no way changes the revenue those very same loans generate in the secondary market. This proposed change runs counter to the basic tenets of Capitalism that our great nation is founded upon (pay for performance and entrepreneurialism). Lastly, there are already a great deal of new disclosure requirements that will serve to remove the 'smoke and mirrors' many unscrupulous lenders in our industry hide behind. I implore you to allow these reforms some time to permeate our industry before taking the drastic measure of limiting compensation. The market over the past three years has forced lenders to change; increased regulation brought about through legislation will also force our industry to change for the better. Please allow these changes to be implemented. Enforce the new and existing rules with harsh penalties for those that do not adhere to them. But, please do not enact compensation caps in the industry that will result in the exodus of the ethical, experienced, and professional lenders this industry needs the most. Thank you very much for your time and consideration.