From: Randy Proctor

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending
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Comments:
12/21/09 Federal Reserve Re: H.R. 4173 Proposed changes to Regulation Z - Truth In Lending To whom it may concern at the Federal Reserve, My name is Randy Proctor and I am an owner with two partners of a small successful mortgage brokerage office in Northern California. I have been a loan officer since 1982, and an owner here since 1996. We typically do the majority of our mortgage business in A paper loans, some VA and B paper loans, and have an established clientele with 100% of our business coming from referrals, and no advertising . Through hard work we try to provide excellent service and very competitive pricing. All fees have been and continue to be fully disclosed, and with a good experience from our clients they come back to work with us again in future years. Hopefully they refer a friend, family member, or business associate. We want future business! So, it does not benefit us if we don't do an excellent job for our clients. Previously, Wall Street was purchasing
loans under the guidelines that "they" provided which were risky and did not have sustainability. Those rules were given to the mortgage companies and banks, who then sent them out to us to put new mortgage loans together. I had up to 75 emails a day encouraging me to submit Stated income, NO income,100% LTV, NO down payment loans. Credit scores okay down to 580! There were few clients I submitted using these programs, (but could have) and the ones that I did send in were true and accurate. Once the real estate market came crashing down the mortgage brokers were labeled and blamed. We were at the end of the process. The problem was at the front, the rule makers, and that turned out to be the hedge funds that wanted the high returns and simply were there for the short run. When I started in this business we went by specific income and expense ratios, and the larger the down payment the more flexibility the borrower received during the underwriting process. A limited documentation loan was fine for someone with a large down payment, good credit

history, established assets, and job history. This isn't rocket science here. Simplicity does work. Those make sense rules went out the window when Wall Street became involved by changing the REASONABLE guidelines. Once the market reached saturation in new loans, and business slowed, the values stopped going up and the party was over. Making home purchase and mortgage selection based on skyrocketing, fast appreciation would no longer happen. Those left standing are businesses like ours providing great service, competitve pricing, and establishing lifetime clients. While doing this we are also trying to earn a reasonable living. The recommended Regulation Z - Truth In Lending changes proposed will kill the mortgage brokerage business and support the large cumbersome banking industry - the very industry that has been mismanaged and currently receiving bailout funds paid with my tax dollars from my government. These proposed changes will limit consumer choice in a huge way. No YSP means I don't have the ability to do a "no point" loan for the consumer. These changes would produce higher closing costs to first time buyers since they will have to pay points. This would create higher costs to sellers if they pay via a credit for the points which results in higher home prices to cover those costs. I also can't cover the buyer closing costs since the YSP would be eliminated. Why would you take this option away? A direct shot to borrower (consumer) costs. It also would hurt interest rate options and flexibility. We, the mortgage brokerage industry, keep those banks honest by providing serious competition. We don't want a salary. If we work harder and smarter we want to have financial opportunity. We don't come in at 9, take an hour lunch and watch the clock until 5. We take calls at all hours, work weekends, and are prepared to discuss a variety of mortgage programs. We watch our expenses, and pay directly for what we use. We have no government support other than the potential business friendly rules that you can give us to compete. Being a small business, we often don't have health benefits or a 401K plan as it is too expensive, time consuming, and difficult to manage. The new GFE rules already in place are confusing to the consumer, and the previous HVCC is a serious problem as well. It has resulted in horrible appraisals at a higher cost to the consumer. By the way, the HVCC is being voted out, and we will be returning to the previous way of ordering appraisals with some minor changes. The return to reasonable guidelines for lending has corrected most of the outstanding underwriting risk issues. These adjustments have already been implemented, and we are currently conducting all new mortgage loan origination business utilizing these corrections. We are now back to the lending guidelines of 25 years ago which worked well. You ight say we are back to the future! The free market can work with "limited regulation" and holding secondary market (the rule makers) responsible for the make sense underwriting of risk. Changing our compensation takes options away from the consumer and insulates the banking system. Remember the BONUS problem? Who is to say their people don't get trips, cars, a bonus, etc., while on paper looking like they only make so much money per transaction? Big companies could play paper games and make additional payments to their loan officers from other profit centers within the company. They provide other services that generate income. A mortgage brokerage business does just that, brokers mortgage loans. They don't have those other operations to supplement the business of originating mortgage loans. The wholesale lenders already have established some basic income limits (maximum money that they will allow a mortgage broker to be paid on each transaction) that currently works, and the abusive B. C, and D paper companies are out of the mortgage business. However, the new loan disclosures overcomplicate the system, and you are considering limiting our compensation? These changes could create even more confusion, poor options, smart people getting out of the business, and average or below average loan officers providing poor service to the consumer. Real estate agents can earn up to 6% sales commission on a house. On a $750,000 home that would be $45,000. To purchase that house let's say I do a $600,000 mortgage for someone at 20% down payment. You are going to limit me to $4,000? I would be paid slightly over (½%)??? This will result in having uneducated, unmotivated, unprofessional order takers packaging loans providing poor service. Please limit the changes to our compensation and allow existing lender limits to prevail, giving thye mortgage broker the opportunity to compete with the large institutions where service for the consumer is reduced. Please allow the existing underwriting guidelines, make sense mortgage broker compensation limits that the lenders now have in place, and the free market work. At a time when the real estate market is in crisis, and unemployment is peaking, why make this unreasonably difficult and potentially devastating to the lending industry as a whole? Allow us to provide excellent consumer choice, service, and a positive professional experience. Limit changes to the Regulation Z so we can continue our hard work and creative and competitive practices. It benefits everyone. Create a strong secondary market to purchase the loans with regulation, and let our sincere, creative, and hard working efforts fairly compete with the banks. Sincerely, Randy A. Proctor