From: Brian Kent

Subject: Reg Z - Truth in Lending

Comments:

Dear Ms. Ryan,

Please understand that although I am in the mortgage broker industry, I feel the latest round of rules is an overreaction to the primary issue.

The main goal of this was rule or bill is to prevent another financial crisis from occuring. Although there was enough blame to go around, from borrowers, to brokers to lenders, the primary reason this crisis occured was:

Lenders (and therefore mortgage brokers, as lenders provide mortgage brokers with the programs to offer) were offering loans to borrowers who were NOT qualified.

The government wanted more people buying houses and by not taking any action and regulating LENDERS (not brokers) more carefully, the government was implicitly giving the green light to these programs. We all want to blame someone and point the finger. In all, many actions on many fronts could have and should have been taken, But they weren't.

You can't lend $500,000 to someone with poor credit, not document their income, and not ask for any money down, then expect them to be able to perform on their loan.

One has to keep in mind that yes, although mortgage brokers were offering these programs, these were the programs lenders were making available at the time. If i as a mortgage broker could help someone qualify for a lender's program, at the time, we concluded that the lenders knew what they were doing and had calculated the risks, etc. Was I as a little mortgage broker smarter than a lender doing billions and billions in loans per year? of course not. (or so i thought) So although we sometimes couldn't believe a lender was offering no-down programs to borrowers with less than perfect credit, who was I as a mortgage broker to tell a billion-dollar lender that I'm smarter that they are?

Yea, there were lots of probably not so good things going on with Credit Default Swaps and CDO's that needed correcting anyhow, but had lenders not made those insane no money down/no income verification programs available, mortgage brokers never would have had access to those programs, real estate market never would have turned into the bubble it did and crashed and the economy would never had tanked. (Also, we need to keep in mind an important element: The government wanted more Americans to own homes, so the government, to a certain extent, encouraged looser guidelines. Can't blame that on the brokers)

At any rate, latest round of rules and legislation affecting mortgage brokers is just going too far.

Although I may be biased, from my vantage point, the main issues of fee disclosure and loan terms have been dealt with in the new 'Good Faith Estimate' (GFE)

The new GFE clearly shows:

a) the terms of the loan and

b)the fees associated with the loan.

Furthermore, fees cannot change from the initial quote to closing. (I agree, 'fee changes' used to be a problem and I was glad to see the Fed fix that to prevent bait and switch.)

If it's crystal clear to the consumer what the fees and terms are, we must allow the competition to play out.

Will some consumers who don't want to spend time shopping for a loan pay more? Maybe, but that's there choice and frankly their laziness.   As much as we want to, we can't protect every consumer like a mother protects her young. At some point, the young must find their own way . (What we CAN do is promote financial literacy, which we need to do.)

If these fee caps go through, is the Fed going to then cap fees on realtors? Real Estate is as big of a financial decision as a loan. If not, why not? Is it consistent to cap fees on mortgage broker, but not apply that to realtors or other industries?   What if I think a realtor makes too much commission? Do I go to the Government to complain to have them cap realtor fees? OR do I just use a a realtor down the street?

The point is clear: In most cases, competition handles the issue. Is it a perfect system? No. Will some people pay more fees than others? Yes.   But in general, competition keeps prices, just that, competitive.

Although I take care of my clients and charge fair fees, I don't think this answer is regulating fees as proposed. The answer is pushing more consumer education, and encouraging consumers to shop and compare prices (as the new GFE suggests.   THERE'S EVEN A CHART ON THE GFE HELPING THE BORROWER TO COMPARE LOAN QUOTES!!! For goodness sakes, to goverment has put together a chart to help and enourage the borrower to comparison shop. What other industry has that?   My friend paid WAY too much for a flat-screen TV last year.. The gov't didn't provide him a chart to comparison shop. Maybe the gov't should email out a chart to every citizen to help them comparison shop products. Is that done in Real Estate? Is that done when you're buying a car?   I'm of course being sarcastic, but you see where i'm going.

The gov't can't force people to comparison shop (as good for their financial health as it is). But the gov't shouldn't tell business what to charge either.

Additionally, some of these proposed changes, although well intentioned, would have unintended impacts that will reduce choice and competition.

I would respectfully ask that the 'comment period' be reopened on this issue and mortgage brokers be included in further discussions, not just to protect mortgage broker compensation, but to ensure there are no unintended consequences to consumers and mortgage brokers.

The mortgage brokers just want the opportunity to be heard. If after a hearing on this, the Fed still feels this way, fine.

Sincerely

Brian