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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:
December 24, 2009 Jennifer J. Johnson Secretary Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington, DC 20511 Re: Proposed Changes to Closed-End Mortgage Rules (Docket No. R-1366) Dear Sir or Madam: 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 Dallas, Texas. Having witnessed first-hand the subprime mortgage meltdown, I agree that additional consumer protections in the residential mortgage loan process are needed. However, I have some concerns with the proposals regarding loan originator compensation. I have made my career refinancing loans; many for customers who were taken advantage of by the very practices you are trying eliminate. However, as it is, your proposal would stop me from being able to refinance these customers because an option to elect a higher interest rate and have me pay the closing costs would no longer be available to them. With property values down, rolling in closing costs to most loans is impossible, and where you can, once you analyze a loan, it almost never makes financial sense for a borrower to pay closing costs. By taking a slightly higher interest rate, the customer saves thousands of dollars in closing costs that are not added back to the loan. This decreases their overall debt, and makes refinancing a smart option to get out of costly adjustable rate mortgages, prepayment penalties, or high rate fixed loans. As an example, this year I have closed in excess of 250 loans, all of which I covered all the borrowers closing costs. That's nearly $500,000 in closing costs I paid on behalf of the borrower and out of the commission structure I am allowed. Had I not had this option most of these loans would not have been able to be made due to decreased property values, and all would still be paying 1% or more higher rates.

That adds up to $400,000 annually in interest savings. Added up over the life of the loan, that's $10,500,000, or $42,000 per household. It is this type of advanced analysis, from good loan officers, that saves American's millions of dollars. Those of us not driven by greed and trying to undo what a few in our industry did feel this proposal is another limit on the tools we have to continue making responsible, customer advocated loans. If the Board adopts the proposed restrictions on loan originator compensation, the limits should apply only to the riskier products that were at the heart of the subprime meltdown. Because conventional prime loans do not create the same potential for abuse, the Board should exclude these loans from the restrictions on loan originator compensation and allow for pricing discretion in these loans. Also, the new SAFE Act requirements for loan originators, including extensive background checks and rigorous testing and continuing education requirements will significantly curb the past abuses that precipitated this proposal. The Board should wait to allow the SAFE Act a chance to work before piling on additional and burdensome regulation on loan originators. Once again, thank you for the opportunity to comment on the proposed rule.

Respectfully submitted,

Adam N. Higginbotham