Subject: Regulation Z

Date:	Feb 17, 2008
Proposal:	Regulation Z - Truth in Lending
Document ID:	R-1305
Document Version:	1
Release Date:	12/18/2007
Name:	Daniel Dickson
Affiliation:	Mortgage Broker
Category of Affiliation:	Commercial
Address:	4543 Hwy 17 ByPass So.
City:	Myrtle Beach
State:	SC
Country:	UNITED STATES
Zip:	29579
PostalCode:	29577

Comments:

I am glad I finally found how to respond to the Feds proposed changes to Reg Z. I will be emailing this link to everyone in the industry that I know this week. The Fed is in danger of making some very big mistakes with these changes. I will only speak on how these changes will affect mortgage brokers, since I know that part best. First, and the Fed HAS to realize this, the basic problem is that homes have changed from 'a place to live' to 'an investment'. That is a change in mentallity and perception btw, not a legislated or policy change. Since homes have now become 'an investment' to the American public, they are now treated as 'assets' or 'liabilities'. Whether or not we should have done that is now irrelevant, we did it. From Wall St. to Main St., we did it. Now that we have the proper context, a home as an investment (asset hopefully), what has happened? The asset bubble has burst! Period. If homes (assets, remember) were still going up in value, WE WOULD NOT BE HAVING THIS CONVERSATION! Because the process would still be going on. The Fed is seeking to treat the sympton with this legislation, not the cause. And in doing so, the Fed will put into place laws that will not changed for decades possibly. How long did it take for 'deregulation' after the changes made folowing the Great Depression. Come on Fed, you know this cold, how long did it take for us to 'modernize' our banking system? decades. Please use Great Restraint in changing Reg Z, because your changes could last a very long time. Did we change the landscape of the stock market when that bubble burst in 00-01? What will you do Fed when the next asset bubble bursts? You know that is most likely on our doorstep, the bursting of the Treasuries bubble. You KNOW Treasuries cannot stay at their historically low levels much longer. And odds are increasing that when they 'pop', they will pop big. Mortgage rates (which are tied to Treasuries for anyone reading this that doesn't know) will raise dramatically. Will you, Fed, legislate a dramatic change in the way Treasuries are handled when that happens? The answer, I believe, is no. Because you DO NOT legislate the rise and fall of asset values. So why will you legislate the rise and fall of home values? You have to see that the market is well into correcting itself. Let's agree on the supposition that Subprime loans were 'bad'. That's an oversimplification, but's lets use it for this discussion. Subprime loans were bad. How many Subprime loans were issued in 2007 vs 2005? How may do you project for 2008? Obviously, I do not not the actual numbers, but WE ALL KNOW subprime loans are all but gone currently, because lenders that were solely/ mainly subprime lenders are gone. Ok, now what about Stated Income loans on primary residence? Are we talking Subprime stated? Alt A stated? or Prime Stated? We must define what category we're talking about. You cannot simply lump 'stated' loans on primary residence together. Prime Stated on primary residence should not be legislated away. the Fed should be very careful with its trigger for the 'higher priced mortgages' The Prime market is very adept at correcting itself. The other markets have proven not so adept. However, I would argue THAT is a by product of the 'home as an asset' and the way Wall St pushed money to lenders to get on the street. Now, specifically, the proposed change that requires mortgage brokers to give a dollar amount of our total fees, including ysp, before the customer 'pays any fee related to the loan, or submits an application'. Let me first say that in my state of SC, we already have a legislated Fee Agreement that requires disclosure of Origination, Processing, YSP, etc. I HAVE ABSOLUTELY NO PROBLEM WITH UPFRONT AND CLEAR DISCLOSURE. Let me make that clear. It is necessary. It should be mandated by law. BUT, your language of 'upfont' being before the customer pays a fee or SUBMITS AN APPLICATION will be impossibly hard to do. And you know that already. You talk about 'ineffiency' being outweighed by 'increased transparency'. How are we to know credit scores without an application? How are we to know loan size without an application? How are we to know if its primary residence without an application? AND how are we to prove to you that we supplied this disclosure? In this age of emails, instant quotes and digital documents are we as brokers to send out a disclosure on our inefficient 'average cost of transaction' and then get it returned by the customer before we even pull credit and know loan size? How long will that take? How will we prove it to you? A written form returned by the borrower? Before the borrower even knows if we have a product to even offer them? Please name ONE OTHER Industry that does that. And I will go to them and learn a new way to do business that I cannot currently even conceive. And the whole supposition that borrowers need to be protected from mortgage brokers and not mortgage bankers (I am greatly simplifying your stated reasons for applying certain requirements to brokers but not bankers) just does not hold true in Main St. How many Banks in coastal SC have a Loan Officer that is truly experienced in FHA loans? How about VA loans? What about Manufactured Housing? How many Lenders, not to mention branch banks or mortgage bankers, even offer finanacing on Manufactured homes? How many branch banks truly have programs for credit scores under 580? I, your local mortgage broker, do all of the above. And I give low, FIXED rates to my customers in the process.
