

What the Heck Is Going on in the Mortgage Industry, & Should You Care?

A major change is happening to the mortgage industry **this Friday**, and it's been in the works since last fall, yet none of the media outside the mortgage industry are writing about it. I only know about the issue from attending weekly marketing sessions where our mortgage affiliates have been talking about it.

I think it needs more discussion.

The National Association of Realtors isn't talking about it. Here is the only reference to this change, which I found in a single Washington dispatch posted on www.realtor.org last September:

"On September 24, 2010, the Federal Reserve Board (the Fed) published a final rule in the Federal Register to protect mortgage borrowers from unfair, abusive, or deceptive lending practices that can arise from loan originator compensation practices. The rule prohibits mortgage brokers and loan

officers (loan originators) from being paid more if the borrower accepts an interest rate higher than the lender requires (commonly

referred to as a "yield spread premium"). Loan originators may continue to receive compensation based on a percentage of the loan amount. Loan originators that receive compensation directly from a consumer may not also receive compensation from another party.

The rule also prohibits loan originators from steering a consumer to accept a loan that is not in the consumer's interest to increase the originator's compensation. The final rule takes effect April 1, 2011."

I have searched the New York Times, Wall Street Journal, Slate, CNN, Fox News, Denver Business Journal and none of them have written a single article on this topic.

Although it sounds simple & positive, it's a very complicated change with enormous implications for the

lending industry, not the least of which is that it will further diminish the size and role of the mortgage brokerage industry, further concentrating mortgage lending in just the four big banks: Chase, Citibank, Wells Fargo and Bank of America.

Near term, we'll see "points" and other fees disappearing on loans, as compensation becomes based solely on the interest rate charged. As a Realtor who doesn't also sell loans, this change won't have a big impact on me or my home buying clients, but I see it as another nail in the coffin of the mortgage brokerage business, implemented by regulators who don't fully understand the business and who think that this one additional change is what will fix whatever it was (they're not sure) that caused our recent economic crisis. But it was all done in isolation from numerous other laws and rules implemented by other entities, including Congress and HUD.

I've posted more on this complex topic at JimSmithColumns.com.

This Week's Featured New Listing:

Former Model Home in Mountain Ridge

This home at 327 Canyon Point Circle was on the market last year for \$475,000 but was taken off the market to make some improvements — new carpeting, new appliances, tiled floors, and more — and is now ready for market again, but at a lower price! There has always been lots to like about this ranch-style home with finished walk-out basement — 7 skylights and vaulted ceilings that make the main floor bright and airy; the 9-foot ceilings and 2-bedroom guest suite in the basement; the sweeping view from its full-width redwood deck; and the handicapped accessible second master suite on the main floor, to mention only the most obvious. I have done video tours on all my listings for many years, but this will be the first one using my new high-definition equipment. Look for it on the website above. I'll be shooting it this Wednesday, weather permitting. Open house Saturday 1-4 pm.



REAL ESTATE TODAY



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