

From: Eric C Gallegos  
Subject: Reg Z - Truth in Lending

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Comments:

Date: Aug 05, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages  
Document ID: R-1366  
Document Version: 1  
Release Date: 07/23/2009  
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To Whom It May Concern: Simply put, Regulation Z would be the death of my industry. Not because of any added paperwork or more clearly defining the APR, which I am strongly in favor of, but because it means the end of the YSP, or Yield Spread Premium. I get most of loans from people who don't want to pay closing costs, so the only way for me to make a living is to charge a yield spread, which for most of my borrowers adds only \$7-15 dollars per month to their payments, while allowing them to save real money now by avoiding upfront fees and being highly leveraged on their mortgage. I take pride in putting my clients in a good position with their mortgage. Yield Spread Premium is a very important tool that I use to do so. I think the policy was designed by people with a poor grasp of the industry and with the banking lobby in mind. True predatory lending takes many forms, from high-interest subprime lending to adjustable rates that trick borrowers into thinking they can afford mortgages they really can't. Broker compensation from Yield Spread Premium is not predatory because it doesn't allow brokers to charge the borrower unreasonably. Conventional and FHA loans already have a cap on what brokers may make off a loan, which includes any compensation from yield spread. Increasing a client's interest rate from 5% to 5.5% while eliminating their closing costs is NOT PREDATORY. It is for the above reasons I implore you to do away with the sections in Regulation Z that pertain to Yield Spread Premium.