

From: Lorcan Lucey
Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Regarding R-1366: I opposed this regulation because it will eliminate competition and increase the cost to the customer: Most applicants who call my firm know what they want before they call and ask for a good faith estimate based on a zero point/zero origination fee loan. They then compare my good faith with the good faith of another lender. If you eliminate my ability to price a loan based on receiving an above par premium (yield spread premium), then you eliminate the competition between the larger banks to give me a better price. It is only by creating competition with the bigger banks that I am able to get the best price and compete for the customer. An example of this would today Flagstar bank will give me an above par premium of 1.1% at 4.875 30 year fixed rate where Homeowners Mortgage is at .25%. I can offer the customer 4.875% today if I use Flagstar, but would have to offer 5.0% if I use Homeowners. If you eliminate the ability for these two larger banks to pay a yield spread, then you will drive up the end rate to the consumer. Given it takes ~60 months to make up the cost of a origination fee (assuming opportunity cost or a lower loan)...most borrowers do not keep the loan long enough to recoup the fee. I urge you to increase transparency, but do not eliminate the competition that drives this market. Mortgage brokers originally became successful and capture a 60% plus marketshare based on their ability to deliver loans at less cost and better service. The subprime market that caused this problem was caused by all lenders...not just brokers. Yield spread premiums are not the problem....abusive lending practices and poor buyer education were. Thank you. Lorcan Lucey