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Subject: Regulation Z

WHY IS THIS SO ONE SIDED?
Yield Spreads also called Rebates or Loan Compensation is set up exactly the same way for the broker as it is for the banker. The banker increases the interest rate EXACTLY THE SAME WAY THE BROKER DOES to receive a percentage of the loan amount in the form of a rebate, YSP or compensation. Bankers do not have to disclose his information to the borrower at any time. **To mandate the Broker to disclose this amount and NOT THE BANKER is completely unfair and discriminatory as well.**

Let's take the next step. The banker makes additional money on the loan once the loan is sold on Wall Street, from 1% to 3% of the loan amount. That's up to an additional $12,510.00 (417K loan amount) plus the closing cost, PLUS origination fees PLUS YSP that the borrower is unaware of.

FALSE DISCLOSURES UPFRONT
Due to time delays, Brokers are often forced decrease their YSP on deals just to close on time or add in extension fees to the borrower so they may still receive the interest that was originally disclosed. Bankers still make additional money selling the loan as mentioned above. These time delays, which in most cases are not the Broker's fault, are due to unrealistic Escrow closing dates, borrowers shopping the loan for the first 2 weeks of a 30 day escrow or simply not getting the needed documents in time to process the loan. Lenders themselves needing 2 to 3 weeks the process and underwrite the loan are delays out of the hands of the broker. So forcing Brokers to list all fees upfront, would not be an accurate compensation of the loan at that time. Nor would the Broker be able to add in extension fees in order for the borrower to obtain the interest rate they were originally offered. Thus hurting everyone involved.

FORGETTING THE MOST IMPORTANT POINT
It is impossible to disclose all the fees and YSP before the loan application is completed. Most Lenders today, require an approval for accurate pricing of the loan before the loan can even be locked. Only until the loan is locked will the YSP be known and with the delays mentioned above EVEN THAT YSP CAN CHANGE throughout the escrow.
Incorrect fees are also due to the fact that Lenders charge different underwriting fees that can very from $200.00 to $450.00 from lender to lender. Again making the fees disclosed upfront, incorrect.

Don't get me wrong, additional legislation is needed due to borrower's being 'KEPT IN THE DARK' until loan documents arrive for signing, usually only days before closing escrow on a purchase. Legislation can help this by PURCHASE AGREEMENTS containing a FULL LOAN DISCLOSURE DATE. This will allow the borrower complete disclosure to the loan costs and interest rates 3 weeks into the escrow. Or how about the borrower needeing a FORMAL LOAN APPROVAL

BEFORE ENTERING INTO ESCROW? This way the person selling the home will know that the borrower CAN PURCHASE THE HOME involved.

ADDITIONAL LEGISLATION
Help the borrower know their fees and interest rates before it is too late.
<u>GFE's need to be revised once a formal loan approval is obtained, in which a Good Faith Promise (GFP) could be issued.</u> Promising full disclosures of costs and interest rates at the time the loan is locked. The only unknown fees or cost would be the days of interest, insurance, and reserves due not knowing the EXACT DATE OF CLOSING.

Since the word ESTIMATE in on the document, throughout the entire duration of escrow, predatory BROKERS AND BANKERS can add fees in, increase the interest rate (from what the original GFE listed) up to the day the loan documents are drawn. At this time the borrower cannot get another lender due to time restraints and will have to forfeit his GOOD WILL DEPOSIT (usually $5,000.00 or more) or agree to the fees and interest rate laid out before him only days before the Purchase Contract closes.

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