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Proposal: Regulation Z - Truth in Lending

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Comments:

Regulation Z - Truth in Lending [R-1305] Classifying a Yield Spread Premium (YSP) different than a Service Release Premium (SRP) is misleading the public. To the consumer they are the same thing. Both are the result of the interest rate being charged in the loan. Both have valuable benefits for the consumer. Thus, for a consumer to shop cost for a mortgage; they need to know their cost being charged prior to close, at close and post closing. This is the closing cost (which YSP & SRP are not closing cost), interest rate (this is where YSP & SRP are reflected to consumer) and prepayment penalties. The Federal Trade Commission (FTC) is the only government agency (not HUD or Congress) that has studied disclosures and affects on consumers. They have clearly pointed out that Mortgage Broker YSP disclosure only confuse and harm consumers, not help. Here are the two FTC reports:

<http://www.ftc.gov/be/v030001.pdf>

<http://www.ftc.gov/os/2004/01/030123mortgagesummary.pdf> If anyone presents themselves as concerned for the consumer without reading these 2 studies, they are only seeking political headlines not the best solutions for consumers. Summary, YSP disclosing is confusing and harmful to consumer. Consumers vary in the what they are seeking in a loan, not always lowest cost or interest rate (WalMart or Nieman Marcus consumers). The concept of YSP disclosure was the result of a failed attempt by Banks to eliminate Mortgage Brokers as competition in 1992. They had legislation passed that treated YSP differently than SRP. Since then, it has only benefited lawyers seeking income and politicians seeking self serving headlines; neither looking out for the consumer as indicated in the FTC reports. The only solution is to eliminate the YSP disclosure or add the SRP disclosure to GFE & HUD Settlement Statements. Since FTC has shown these types of disclosures have no benefit for consumers and actually harm them; the best solution is no disclosure since the interest rate speaks for itself (that is what creates the YSP/SRP). Any consumer shopping for a mortgage

will know what the interest rate is based upon Good Faith Estimate (GFE) and Truth-in-Lending (TIL) disclosures not YSP/SRP disclosures. Consumers do not lack enough disclosures for shopping for a mortgage. The problem at this time is too much information which is confusing and generally causes the consumer not to read them. The pre 1992 GFE (without YSP) was effective (the reasons identified by the FTC) when combined with TIL and program disclosures. The idea of treating Mortgage Broker originators differently than any other originators is nothing more than sensationalizing politics and putting the consumer at a disadvantage. It is the consumer's choice to read the required disclosures or not to read them. Until the regulations require a certain level of reading skills testing and requirement for reading disclosures before entering into a mortgage obligation or any consumer transaction, certain consumers will likely acquire a loan, product and/or service for which they do not fully understand. Eliminate disclosing YSP and the consumer will be better served. Read the FTC reports.