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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Comments:

My comment is regarding the statement below, which seems to attempt to eliminate Yield Spread Premium (YSP), also known as the payment by a bank or financial institution for the transfer of servicing of the loan origninated by the broker. "Prohibit payments to a mortgage broker or a loan officer that are based on the loan's interest rate or other terms; and Prohibit a mortgage broker or loan officer from "steering" consumers to transactions that are not in their interest in order to increase the mortgage broker's or loan officer's compensation." This statement is a biased opionion created to view the broker as a less than ethical person for selling the commoditiy of the loan servicing to a bank or lender. I am asking why are you making this statement while knowing that FDIC insured banks receive Service Release Premium (SRP) for the sale of servicing to another bank or lending institution?

The Fed, FDIC, federal and state regulators, Congressmen, and banks know about SRP and its role in the closed-end mortgage industry. Why is the comment above intentionally eliminating SRP from the conversation and only addressing YSP. Also, when did it become an unethical thing to sell the commodity of a loan based on its rate given? The FDIC insured banks also receive commision called SRP based on the note rate. This attempt to point us brokers out as culprits must also be looked at in the FDIC insured mortgage banking industry, or dropped all together. I have specifically seen banks earn more on average in SRP compensation than we do in YSP, charge more in origination (one of the largest national banks was charging 10% origination fees in South Dakota) and over promise to borrowers and in the end deny loans the day of a purchase closing, all to ask us brokers to come to their rescue since we have access to sell our loans to more than one bank or lending institution.

If we were to eliminate YSP, then you may want to look at eliminating insurance company compensation as well, compensation from auto manufacturers to dealerships, banks to

financial departments at auto delearships, and every other instance where a company is compensated for the sale of a product at a specific rate. The solution to this problem of unethical mortgage originators is to police both bank and broker loan officers equally, which I know does not occur on in either case. Competion will eventually eliminate most bad performers, but there will always be new ones coming in, but will also be eliminated naturally. This occurrs in every field such as medicine, law, and politics. Thank you for your time and consideration of my thoughts today. Craig Markhardt, CRMS Certified Residential Mortgage Specialist Mortgage Broker President, South Dakota Assoc. of Mortgage Professionals