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Comments:

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Hello, My name is Mike Freeman and I've been in the mortgage industry since 1993. The proposal to eliminate YSP as a part of a mortgage broker's compensation is not a good idea. Let me explain by example: Within the last two weeks, I have closed two purchase loans in which I used the YSP to pay a portion of the borrower's closing costs. In both cases, I credited back to the borrowers \$3,000. The first case was a retired couple that has lived in the San Francisco Bay Area for the last 30 years. They purchased a very nice home in the Sacramento area so they could be close their children and grandchildren. The borrowers used \$400K from a Line Of Credit on their current home for the down payment and I got them a loan of \$300k to complete the purchase. As soon as they move to Sacramento, they will put their home in the Bay Area up for sale. When the home sells (For well over \$1 Million), the borrowers will use the sale proceeds to pay off the Line Of Credit AND the loan I got them to complete the purchase. The sale of the original home will not take long, for they do have a nice home in a very desirable area. Therefore, I explained to the borrowers that since their plan was to have the loan I was getting them for such a very short period of time, it only made sense to increase the interest rate by .375% and thus I would be able to pay the \$3,000 towards their closing costs. And no, I did not charge a loan origination fee. My compensation was derived solely from the YSP, which after I credited the borrower, received my split, and went through payroll, was about \$2,000. The second case was a purchase loan I did for a young gentleman who was buying his first home. I got him an FHA loan with 3.5% down from the borrower. The home he bought was a Real Estate Owned (REO) property, and although it was in relatively good shape, it was in dire need of paint, new flooring, and a kitchen overhaul. My borrower's funds were limited, so I suggested that I raise the interest rate up, in this case only .25%, and I would be able to 1) Credit him back \$3,000 towards his closing costs, and 2) Not charge him a Loan Origination

Fee. In this case, the loan amount was \$310K, thus a standard 1 Point Loan Origination Fee would have been \$3,100. Therefore, in essence, I reduced his costs for buying his first home by over \$6,000. This is money he can now use to begin the work needed for his new home, along with a new refrigerator and other appliances he is going to need. My two examples are only the beginning of why the continuation of YSP is important and beneficial to the consumer. As a broker, I use YSP to be competitive, and believe me, the competition is fierce. Although our industry has seen many people find other means of making a living, there are still a lot of Loan Originators looking for deals. I see and hear their advertisements on television, the radio, the internet, newspapers, magazines, billboards, bulletin boards, the sides of buses, ect. And the consumer knows this! By far the majority of my clients are interest rate sensitive and savvy. There is no way I can have a client agree to work with me while I charge a loan origination fee AND collect a large YSP on the back. The interest rate would be too high and they know it. Just last week a referral called me and asked for a GFE (Good Faith Estimate). I gladly provided it, using an interest rate from a particular lender that generally pays the most YSP, thus also has the lowest rate at PAR pricing (No YSP or cost for that particular rate). This was a very qualified buyer with a 20% down payment, excellent income and perfect credit. The loan amount was \$320K, I quoted a rate that had PAR pricing with a 1 Point Loan Origination Fee. She responded that she saw on the internet that she could get a rate .25 lower with NO Loan Origination Fee! I told her if she felt comfortable working with an internet company as opposed to a proven and experienced broker such as myself, then I couldn't compete with what she saw on the internet. I haven't spoken with her since. This is America, and competition is what made this country what it is today. I truly believe that the effort to eliminate YSP from our industry to "Protect the consumer" is a noble one, but also one that is severely misguided. Are they unscrupulous brokers that use this to the consumer's detriment? Of course there are. However, if you look at every industry in existence today in our country, you will find they all have a few bad people that will operate in a fashion that is not to the consumer's best interest. So where does it end? Do you mandate how much a car dealership can make on every car sold since the consumer might overpay for one car that he might be able to get for less money from another? Do you impose a ceiling on how much a car insurance company can make since the consumer may be able to get a lower premium from another carrier? The mortgage industry is really no different than any other. We have lots of people COMPETING for the same thing; a borrower that wants to get a loan. One last thing: Although the severe recession our country and the rest of the world is experiencing today is directly a result of the housing crises, please don't think the unscrupulous mortgage brokers are to blame so therefore must be punished or reined in. Brokers who put people in risky loans did so because they were available, and they were available because the government at the time thought that EVERYONE that wanted a home should be able to buy one. Oversight and common sense went out the window while banks and lending institutions, with encouragement from government and Wall Street, made available risky loans to people that ultimately couldn't afford them. Those loans are now non-existent. In fact, qualifying for a home loan now is more difficult than ever! The pendulum has now swung from one extreme to the other. The proposal to eliminate YSP and implement a separate Fee Agreement between broker and every lending institution will ultimately only make things worse and more expensive for the American consumer, the very people that you are trying to protect. Thank you. Mike Freeman First Priority Financial