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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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Regarding the proposed changes as they pertain to YSP (yield spread premium), it is my opinion that the proposed changes are not well thought out, and will have unintended consequences. I urge you to re-evaluate the decision. YSP may have been used poorly in the past, contributing to the downfall of the housing market, but it is not the sole culprit, or even the main culprit. Many of the exotic loans, such as option ARM or negative amortization loans that turned out to be terrible loans in a housing market downturn do not exist these days. These loans are where YSP was confusing, as the minimum payment rate was not affected by the YSP, instead it was the margin and length of prepayment penalty. These loans do not exist any longer. In addition, the new GFE that brokers are soon to be required to use will make it very clear as to what fees are being paid to the broker, and where they are coming from. Creating a rule effectively banning YSP before allowing time for the new GFE to be used to correct the issues at hand seems to be jumping the gun. By removing the YSP, the board is creating a new animal, and one that will not be as easily regulated or understood. Instead of YSP, there will be broker agreements in place for compensation from the lenders. These compensation agreements will differ from lender to lender, and from broker to broker. They will allow for abuse of the system, as bad brokers will still be able to "steer" borrowers into loans where they make the most money, regardless of the benefit to the borrower. In addition, with the regulations that the broker must present three options for each loan product that the borrower requests, and that these must be the most beneficial to the borrower, it opens up a host of litigation issues for brokers. The brokers left in the industry are generally the ones of good character. Hard working, honest brokers who's careers are being put in jeopardy with these new regulations. The bad brokers, the ones in the industry to make a quick buck, are gone. The heydays of the mortgage industry are over, and anyone in the profession at this point, through the extreme downturn, is in it due to hard work, integrity and honesty. To punish the

honest brokers, create more litigation from unscrupulous attorneys and create regulations that will be difficult at best to enforce, is not in the best interest of the consumer. In addition, YSP is a good tool for many consumers. By disclosing the YSP, it allows a broker to deal in good faith with a consumer. It gives the consumer options that a bank may not be able or willing to provide directly. In the past, I have had many borrowers opt for a slightly higher rate in exchange for a no closing cost loan. This can be done when YSP is in place, as the broker can still be compensated, the borrower can refinance without having to bring cash to the table or increase the debt on their home, and the rate is still highly competitive with the banks. Brokers play an important role. Brokers are able to shop many lenders, find the best rate for the borrower and represent the borrower, ensuring they have all the information they need regarding the transaction. Mortgage brokers are one of the most regulated industries in the country at this point. On each transaction, we show the borrower the true cost of the money across the board, and then they can make an informed decision. If they choose to pay .25% more in rate in exchange for a no closing cost loan, that should be their option. With the proposed rules in place, this will not be an option. On a $200,000, 30 year fixed loan, the difference in payment between 5% and 5.25% is $31. Consumers should be able to have a choice in the matter, if they want to pay $31 more per month in exchange for reduced closing costs, that should be an option. The unintended consequences of this proposed change could be far reaching. It will likely put many brokers out of business. Good, honest brokers. It increases the expense of doing business, and increases liability, which increases frivolous lawsuits. With the proposed changes, the main method of enforcement will come from private civil liability. Attorneys will seek the attorney's fees awards allowed by truth in lending and will file lawsuits against brokers hoping to get lucky and win a few cases. Honest brokers will become targets, and will be forced to defend themselves against "ambulance chasing" type attorneys. These lawsuits are expensive, just to get a lawsuit where you are in no way at fault thrown out can cost $10,000 or more, easily. This added expense will drive more honest brokers out of the business. Please reconsider this proposed change. As a side note, I do not do consumer loans, I do not broker loans to banks, and I do not collect YSP. These new rules do not impact my business in any way, shape or form. I work on purely commercial/business loans, where no YSP is paid. I took the tme out to write this simply
because I truly believe this proposed change will have major unintended consequences. Money is already tight around the country, people need brokers to help them find the best loan. By doing away with YSP, it will make it more difficult for consumers to obtain financing, whether that is the intended result or not.