From: Ryan S. Hendricks

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:
The proposed legislation to create a "flat fee" for mortgage brokers and ban yield spread premium will have disasterous consequences for consumers. This propsed change to ban yield spread premium will eliminate choices for consumers and just as important --will eliminate competition for banks which will inevitably create higher rates and fees for consumers because competition is what naturally creates "fair" rates and fees. This is why consumers/borrowers call it shopping. This proposed change to a "flat fee" will considerably reduce the competition and businesses that allow for borrowers to shop in the market place. The dynamics in a loan from application to closing are complex and each loan has its own set of unique circumstances that need to be addressed by a qualified mortgage broker. By taking away yield spread premium you are eliminating the option of a borrower to recieve a broker credit for payment of some of the closing costs/fees. This proposal also appears to have language that would keep brokers from being able to choose a lender that could close a loan much quicker than another because there may be a "cheaper" rate with another lender. Example: What if a borrower needs to close their loan in 10 days (happens all the time with short sale contracts)? Is the mortgage broker supposed to take the loan to a lender that has a 30 day turn around timeframe because the rate is .250% less or should it be placed with the lender that can get it closed in 10 days and protect the consumer from losing their escrow deposit because the seller will not extend the contract? The borrower may have mover deadlines and finds it more important to get the loan closed rather than a .250% rate difference. The list of scenarios that can play out goes on and on. The current system is not "broken". The "failures" of the last few years arose from "new" loan programs and underwriting guidelines that were introduced by lenders and banks that had unintenended and disasterous consequences. Competition will breed lower rates, lower fees and better service for the consumer. I ask that you do not change the existing yield spread premium system--it works. I would be happy to further discuss/consult with the

committee or individuals involved in drafting the proposal.