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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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Hello Thank you for this opportunity to comment on the proposed regulation to yield spread. I have many concerns regarding the industry that I have made my career, mortgage origination. I have worked in my field for over 24 and-a-half years. During this time, I worked for several mortgage companies (brokers) and for approximately 10 of those years in the banking industry in eastern Connecticut. I love what I do because I feel I am educating potential homebuyers in product selection, actual cost to do a home purchase transaction, and their rights and where they can go if they have a problem during the processing of their mortgage, after the closing, with real estate agents, attorneys, etc. I am 'huge' on advocating for the borrower. To my dismay, there has been a lot of misuse of mortgage products over the years and now a lot of finger pointing that the mortgage broker is to blame. Having worked in a bank for quite a long time I learned that banks can do whatever they want, from the top (meaning management). Anyone who tells me different is either wearing blinders or has never worked in a bank. A lot goes on in banks as well so I feel that all of the lending industry needs to share the blame and this includes giants like Leyman Brothers, Countrywide, etc. And, lastly, our own government who feels compelled that it is a God given right that every American experience the dream of homeownership. Well, guess what I have learned over the years? Not every consumer should be a homeowner. Some people are not responsible enough to enter into homeownership. Some reasons are credit, other reasons include attitudes that they can afford to rent so they should be able to purchase. I have seen couples anxious to purchase their first house eventually end up deep in debt because they need everything for themselves, their home, their family, etc. Then they call for a refinance to help them get out of their credit crunch. Americans do not know how to handle their credit. If our government wants to focus on something positive for the consumer, focus on training young people in elementary school right thru high school on the importance of excellent credit, repaying your debts, self-esteem,

and being a constructive part of society that they will eventually join after they graduate. I do not want the yield spread to become a mangled mess of actions. Do you realize that yield spread is earned by banks as well when they price via Fannie Mae? Will that change, too? Please give a lot of thought to exactly what you are trying to do. Reach out to the industry and ask for guidance. Personally, I think having the national test and 20 hours of study will definitely weed out some unsavory lenders. But it does nothing for those still in banks or credit unions. Their GFE (good faith estimate) does not show the yield spread they may be receiving from Fannie Mae. Please treat the entire industry with dignity and fairness. There are many, many of us who do the right thing every day. Please do not rush to judgment because of the few who caused so much damage. I know it's the knew-jerk reaction to something that went bad, but please do some deep digging before you just change yield spread. Here are some examples. In a bank, they price from what they can earn from Fannie. For instance if par is at a particular rate, they may move to a higher rate to gain a little yield spread to cover costs of a lending team or servicing. This rate they will price at 2 points. Then they will look at the 2 point option Fannie is offering for their zero point rate and maybe pick an interest rate that offers slightly more than the 2 points for the same reason they priced the 2 point rate, and do the same action for a one point option to the consumer. Now they can offer their customers a zero, one and two point option. In those points, or yield spread, they earn a little more to cover the costs of their lending teams, servicing, etc. It helps them with income without having to disclose it to the public. Well, why not use the same logic for mortgage brokers? Eliminate any possible yield spread that is in excess of 2.75 points. That should be enough income to cover costs, management and loan officers income in a company. Want more income, do more volume. And this simple act may avoid any unnecessary and confusing contracts between wholesalers and mortgage brokers, etc. based on yield spread reform being considered. Does this make sense? Try to keep it simple. And, fair. If the banks do not have to disclose, then mortgage brokers should not have to disclose if you cap the yield spread. I love what I do and I am hoping to have at least another 15 years in this business. What mortgage brokers do is significant. What bad mortgage brokers do is against the law. So keep them away from my industry for their entire lives if found guilty. And just one more thing. Please do not allow applicants while to any loan officer when preparing their 1003 to get off the hook with a slap on the wrist. I learned they get 3 or 5 chances per year to lie on a mortgage application, then they are held liable. Lying should not be acceptable under any circumstances. Stop it now. If you knowingly lie on your application, shame on you and you will be fined and/or prosecuted. Thank you for this opportunity to contact you with my suggestions and comments. Sincerely, Ava M. Colonna