From: Mortgage First Corporation, Todd W Allen

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Name: Todd W Allen
Affiliation: Mortgage First Corporation
Category of Affiliation: Commercial
Address:

City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

I am a mortgage broker, I have been in real estate and lending for over 30 years and am a partial owner of a small shop that was started in 1989. The proposed rules concerning YSP (Yield Spread Premium) for brokers are a nail in the coffin for a once viable option for consumers. The proposed rules give a great disadvantage to brokers in the marketplace since any YSP has to be credited to the borrower. Just about every loan officer I know are going to a direct lender, net branch, or correspondent, which does not have to disclose SRP (Service Release Premiums) as additional compensation. In today's world, it is impossible to exist as a company with a limit of a 1% loan fee, especially in an area of low prices and loan amounts. The only way to exist as a broker model is to increase our loan fee and give the YSP credit to the consumer. Banks and other "direct" lenders do not have to disclose this YSP, since their pricing will just be now called SRP and avoid consumer disclosure. If a consumer is shopping and looks at a broker, this will reduce the amount the seller can pay in closing costs on a purchase transaction so that all potential borrowers will go to direct lenders or banks, and result in unfair competition with an oligopoly for the big institutions. These lending entities can still receive service release premiums without limits so do not need to disclose these fees to a customer. The YSP paid to the consumer is considered a concession by Fannie Mae, Freddie Mac, FHA and VA, which will decrease the amount the seller can pay in a sales contract- so if the limit is 3% on a conventional loan and a broker has a YSP with a ½% credit, the seller can now only pay 2 ½% which will drive the customer to a bank, even though the broker may have a better interest rate and net closing cost package. The direct lender can show a lower origination fee and collect a much higher profit on the back end in SRP, hidden from the consumer, they can also pay the loan officer a higher commission on the loan which will drive loan officers away from the broker model to the banking model. The proposed rules are trying to avoid gouging, which I have no problem with, but instead will destroy the mortgage broker model, which in the past has been the small business owner (such as myself) that employ less than a dozen people in favor of the large institution. This will be a very big hit to the consumer because the small mortgage broker can be far more responsive in the marketplace and offer the consumer many more options on rates, programs, and timelines than the larger institutions. Not all lenders are competitive all the time, based on their cost of funds and volume, they can have great pricing one week and poor pricing the next, a mortgage broker can offer the best rates and fees available to a consumer at all times which gives them the opportunity for the lowest cost option, but only if we can play on a level paying field. With the proposed changes, there will be far less options available for the consumer, which will be the one that suffers. I request your serious consideration of the proposed rulings for the benefit of the consumer.