From: Law Offices of Russell Boon Rhea, LLC, Russell Boon Rhea

Subject: Reg Z - Truth in Lending

Comments:

I understand you are seeking public comments re. reforms to regulating residential mortgage loans and would like to address three issues: Yield Spread Premiums (YSP), APR, and Steering.

YSP

In my legal practice I close mortgages for national, regional, and local banks and for mortgage brokers, in about equal number. I can state unequivocally that the borrowers get the best service from the local banks and the brokers, and, day in, day out, they get the best rates from the brokers. This is because the brokers have lower overhead and can shop a loan at a dozen places, whereas Bank of America can only offer Bank of America loans.

Brokers can get paid by the customer in up front points, by the lender in YSP, or in combination. If the YSP is eliminated, many brokers will go out of business because many many borrowers refuse to pay points, even when they should. (If a borrower knows she will be in the property for many years, it is to their advantage to pay points and get a better rate.) However if the borrower expects to sell within a few years, or simply doesn't have the liquidity to bring points to the closing, then they should have the option to pay a slightly higher rate which will allow the broker to be paid via YSP. Even with the YSP, broker regularly deliver rates that are lower than do the banks.

The YSP can be likened to the mark-up between wholesale and retail that exists in other businesses. Borrowers are concerned with what their monthly payment will be; they don't care how much the broker is making, just as they don't care how much the Buick dealer on Main Street is making as long as they can drive the car off the lot for less than they could have from the dealer on Pine Street. In case the borrowers do care, or want to use the broker's profit for leverage, the YSP is disclosed five (5) times during the process, something that is not required of banks.

Eliminating YSP will put brokers out of business and force consumers to pay more, for more opaque, loans at banks.

APR

As reflected on the TIL, APR is at best confusing at every closing and just plain ridiculous when prepared for a variable mortgage, since the indices upon which future rates will be based are unknown. Paying an additional penny at any time during the next 30 years will alter the life of loan costs. Since odd days interest is a pre-paid finance charge, the day of the month one closes affects the APR such that a higher note rate closed the last day of the month might appear more attractive than a slightly lower rate closed on the first.

STEERING

This may no longer be an issue since FHA is the only remaining sub-prime lender, but I would like to un-tar mortgage brokers: Steering was a myth. The press, politicos, and some academics are positive it happened, but it makes no sense, precisely because brokers are self-interested. The myth is that borrowers who could have qualified for a Fannie/Freddie loan were steered into sub-prime loans because brokers could make greater fees on the subprime side;

false. If Ms. Jones could have qualified for a 6% mortgage w/Wells Fargo, but could have been talked into taking a 9% mortgage with Freemont (r.i.p), then any mortgage broker worth his salt would have put her into the Wells Fargo loan.the broker would make the same or more plus he's a hero to Ms. Jones.

True, if Ms. Jones made the mistake of walking into a Beneficial retail office, and if she got a loan, it would be from Beneficial, but in truth, very few borrowers went to Beneficial and the like until they had already been turned down a few places first. The people who supposedly got 'steered' had some problem with credit, income, liquid assets, time on the job, the collateral or something.

I am open to any questions you may have.

Respectfully,

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