

From: Christopher Scelfo
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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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I have been a Mortgage Broker in San Diego for 10 years and in the mortgage business for a total of 13. Over these years I have used the YSP to provide less expensive alternatives for borrowers when buying or refinancing their home. In 2009 alone, I have refinanced over 40 homes and used the YSP to pay ALL of the Non-recurring closing costs for the borrowers (i.e., appraisal, underwriting, title insurance, escrow fees etc.). The average cost of a refinance in San Diego is around \$3000. Below are the names of borrowers who have been able to refinance and save between \$70 to \$500 a month with no out of pocket costs and no fees tacked on to the loan (these borrowers have consented to the use of their names in this letter). These people were all offered other options including lower interest rates where they would pay their own costs and have more monthly savings, but they decided that was not in their best interest and that the 'free' loan had significant savings. I can provide final HUD-1 settlement statements for all of these borrowers along with their contact information. These borrowers made up for roughly 50% of my refinance business. (After paying the fees out of the YSP for one particular borrower, there was only \$220 total YSP left over for my company as a net commission). The other 50% were given this 'no cost' option, yet chose to pay their own fees and take a lower rate which would meet their goals for this transaction and long term goals of owning their home. (Most people who pay their own fees and or points plan to keep their home for 7+ years and will recoup these costs in an average of 3-4 years). Several other loan officers hang their license under my broker license and we estimate that there are another 40-50 clients of theirs who have benefited in 2009 from the use of YSP for a no cost loan. The intended target of YSP removal is the loan officer and loan program that no longer exist. For example, Countrywide and Bear Stearns, among others, offered the negative amortization loans that got our country into this mess. The negative amortized loan would have a start rate of 1% -- that was the payment that dishonest

mortgage brokers and loan officers sold to their borrowers. However, the true interest rate was tied to an index and a margin. If the loan officer moved the margin up to the maximum and added a stiff prepayment penalty to the loan he or she could receive up to 4% YSP! The minimum monthly payment that the borrower would pay would still be based upon the 1% start rate regardless of the margin that the loan officer locked in from 0-4% YSP. Since this time, these loans are long gone, along with the dishonest loan officer who has most likely moved on to the racket of charging huge upfront fees to these same borrowers in trouble to modify their note. These dishonest modification companies are starting to make the news on a daily basis and should be the focus of your time and energy. Any honest hard working broker/loan officer who has survived this crisis has done so by making good loans with fair commissions with return clients and their referrals. The YSP cannot be misused in the current lending environment. All YSP and fees are now required to be disclosed upfront to the borrower (see enclosed Bank of America required disclosers). Lenders will not underwrite the loan unless there is a signed discloser showing all of these fees and YSP. On top of this there are new laws that you have passed that require the 1st Truth In Lending disclosure that goes out to the borrower to match the one that that borrower signs in his final loan documents. If the APR rises then there is a cooling off period, protecting the borrower. There have been sweeping changes in the mortgage industry this year. I am pleading with you to let these changes settle in and see the results before removing the YSP and running honest, hard working people like myself, who have survived this crisis, out of the mortgage business and out of work. I am willing to come to Washington to meet with you, your committee, and assistants anytime to discuss this in person. I would like to speak with you over the phone or in person at a time that is convenient for you. This is my livelihood and extremely important to me. Thank you for your time. I look forward to hearing from you.

Sincerely,
Christopher J. Scelfo