

From: Critical Connection Mortgage Lending, LLC, Jeff Neely
Subject: Reg Z - Truth in Lending

Comments:

To Whom It May Concern:

Please do not allow passage of "Option A"

The reasons I disagree with the passage of this option are numerous. However, honestly, anyone with mortgage industry knowledge would immediately see the severe pitfalls of allowing this option to be made into law. I'm at a loss for words that this could even be brought up as a proposal and seriously question who y'all have advising you on these issues.

I pride myself as being an extremely honest and ethical mortgage broker. I am a proud member of the UpFront Mortgage Broker's Association as well as a member of the National Home Loan Advocates. (Membership in both groups means I volunteer to adhere to strict, ethical practices that go above and beyond legal requirements when I deal with my clients) I have championed, been excited about, and have supported some of the recent legislation that has been passed that further restricts the "bad apples" in our industry from being able to take advantage of unsuspecting consumers, however, "Option A" would damage our industry and more importantly the consumers ability to purchase and refinance their home loans.

Regularly I have clients who owe between 75%-80% of their home value at interest rates over 6%. With interest rates currently at 4.75% it is common practice for us to give them an interest rate of 5%-5.25% and have the bank compensate us through yield spread premium and also allow us to pay part of their closing costs. I personally strive to make 1% on a loan - either through origination or yield spread premium. However, if I am forced to charge an origination point to someone that is at a 77%-80% Loan to Value ratio, then this would kill MANY deals! Depending on the loan amount a refinance transaction can cost 2-6% when all title, lender, insurance, pre-paid escrows are added in. You can do the math to see that if we need to stay below an 80% LTV to do a refinance deal; adding those fees on top of the current balance easily puts us over the 80% LTV.

When the above scenario happens under your proposal the only alternative is to have the consumer bring thousands of dollars to the closing table - which most folks are not able to do. If they can't bring cash, and we can't give them a slightly higher rate of 5% to help offset the closing expenses then the deal is DEAD and the consumer is not able to take advantage of lower interest rates and the resulting lower monthly payment. That means they are stuck paying at least \$100 and sometimes up to \$500 more each month for the remainder of the life of their mortgage. Money that the consumer could be spending, saving, or paying don't credit card debt with.

Please understand that the consumers that can benefit the most from refinancing a home loan - those that have very tight budgets - are the ones that would suffer most from the passage of "Option A". Not even to mention the reduced loan volume that would affect the mortgage industry.

If this is option is passed, you will be essentially mandating that anyone with over a 75% loan to value can not refinance their home loan without bringing cash to the closing table.

I could go on and on regarding specific clients and situations I have seen that would be damaged by "Option A" and please feel free to call me to discuss this issue personally.

Best Regards,

Jeff Neely
Critical Connection Mortgage Lending, LLC