

From: Home Savings of America, David L Hagy
Subject: Reg Z - Truth in Lending

Comments:

This email is being written to provide much needed insight from the perspective of both the Home Owner as well as the Originator involved in mortgage transactions - and how the proposal eliminating YSP could be detrimental in many ways.

YSP in a mortgage transaction is a tool in which Borrower's benefit. It gives them the CHOICE of deciding which scenario best suites their needs.

Example 1 - Refinancing:

A homeowner needs to refinance an existing 6.25% FHA mortgage. Typically, they would use an FHA Streamline Refinance transaction. This transaction is done with ZERO 3rd party closing costs and ZERO broker or lender points. Utilizing YSP, the broker/lender would cover all title, processing, underwriting fee's etc by applying a large portion of total YSP towards the homeowner's costs. The YSP is an absolute MUST because the FHA Streamline Program requires a much limited maximum loan amount. A loan amount that can only include - Principal Balance + 1 month of interest + Difference in FHA Up Front Mortgage Insurance Premium. Therefore - There is NO room to finance anything else, and it must be paid by credit's from YSP to the borrower.

-This program which is 95% of business being done today - would no longer exist without YSP - Hundreds of thousands of homeowner's who have saved between 100-500 each month would have NO option

-YSP is important to avoid thousands of dollars in cash due at closing - which most could not afford

-YSP is also important so that the time frame in which the borrower re-coups the transaction costs (very minimal) is shortened a great deal and therefore provides an immediate financial benefit

-Without YSP, the borrowers costs would take years to recoup, and therefore they may not realize a benefit in the next 3-4 years.

-Lastly, if someone planned on selling in 5 years. How would they be able to realize a savings without YSP to cover their costs of the transaction?

Example 2 - Purchasing:

A potential homeowner intends to buy a house - after the elimination of YSP in Maryland. Local Transfer & Recordation taxes for the Buyer is equivalent to 17.50 per Thousand financed. The average purchase price is 250,000.00. The minimum FHA Required down payment is 5% = 12,500.00 and Transfer and Recordation taxes are 4,375.00. This doesn't account for 3rd party title fee's, processing, underwriting and prepaid taxes and insurance premiums which are due at closing. This is the most lenient program available to purchase a home in terms of down payment.

-Without YSP - this borrower has NO option to ONLY put down 5%. There will be many less buyers in the marketplace - Houses will sit longer and further delay our recovery

-YSP makes it possible for these homeowner's to purchase a home with ZERO up front points - which also are paid at the time of closing in cash and cannot be financed

-YSP makes it possible for these homeowner's to purchase a home with MUCH less

due at settlement

Lender's have been tightening guidelines to the extent that hardly anyone can qualify for a mortgage as it is. To further restrict the marketplace would be detrimental to our Housing market recovery.

These changes would eliminate too many options for the consumer. The only option is going to be more CASH due at closing from homeowner's - nothing more and nothing less

If consumer protection is really the goal - then limit the amount of money in dollar increments (not Percentage) which lender's and brokers can charge.

Thank you!!

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