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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Comments:
The proposal to end YSP compensation to mortgage brokers is not favorable to the consumer. YSP provides extraordinary flexibility for a consumer when obtaining a mortgage loan from a mortgage broker from that of a bank. In many cases when a consumer is considering a refinance, the cost of completing a refinance is a deterrent. YSP allows us to work with the consumer to provide a slightly higher rate, which is still a rate far below what they were paying on their existing loan, to generate enough income for us to pay for the closing costs on behalf of the consumer. So rather than the consumer taking 3-4 years to recover the costs of new loan, they are able to receive immediate savings from the refinance because of no cost and they receive the benefit of a lower interest rate. Loans where the mortgage broker covers the closing costs from YSP are completed every day and create a win/win situation for both the consumer and the mortgage broker in that the consumer reduced their cost of the money they borrowed and the mortgage broker earned a fair income for the transaction. If a consumer walked into a bank, they would not be able to obtain a no cost loan since banks are not that flexible and almost always offer higher interest rates. Furthermore, since mortgage brokers are required to disclose YSP on the Good Faith Estimate, if a consumer feels the mortgage broker is making too much money, they can simply walk away. If the consumer is working with a bank, the consumer has no idea how much money the bank is making because the bank does not have to disclose. Therefore the elimination of YSP will create an additional disadvantage for the consumer. As an additional note, when I go into my local bank and read the fine print for their advertised rates, in order to get the rate they have advertised, you have to pay 1 point. So not only are they offering a higher rate, the cost of the loan is very expensive to the consumer. Should the consumer decide not to pay the point, they will get the higher interest rate. In the end, the consumer will pay a rate that could be .5% higher than what a mortgage broker would be

offering a client. Since no information has to be disclosed for YSP with a bank, the consumer has no idea that they are at a disadvantage. If the consumer shopped around, they would soon learn that a competitive option is available to them when working with a mortgage broker not only because of how much has to be disclosed, but the simple fact that because of YSP, a loan can be structured which is in both the short and long term best interest of the consumer. I would encourage you to shop for a loan yourself by visiting local and national banks and then visiting a couple of mortgage brokers. You will soon find that the mortgage broker will provide you with a better set of options regarding cost and rate than you would at the banks. As one final note at how poor banks are at putting the consumers best interests first, I will share my own personal experience when I obtained my first home loan. In 1999, I went to the local bank, they gave me a 5 year balloon loan. A balloon loan was in the banks best interest because the loan had to be refinanced within that 5 year period, no choice because of the nature of a balloon loan. A balloon loan is not a loan that is in the best interest of the consumer as it exposes them to too much risk, so I was given a loan in the banks best interest, which I believe is still what banks do today.loans in their best interest. Had I known better at the time, I would have proceeded differently. The loan officers at banks do not have to get the training and testing that we as mortgage brokers in Illinois have to obtain. Because of all these differences that have been established between banks and mortgage brokers, the consumer is ultimately at a disadvantage. Your further changes will just continue this trend of hurting the consumer.