

From: Lighthouse Mortgage Services, Inc., Vernon L Morrison
Subject: Reg Z - Truth in Lending

Comments:

I am writing today to voice my displeasure at your lack of comprehension of how Yield Spread Premiums (YSP) are a benefit in the marketplace and how eliminating it will hurt consumers and mortgage brokers alike. As mentioned already I am sure numerous times, YSP provides options for borrowers that otherwise wouldn't be able to finance or refinance into economically positive products.

After 25 years in the lending business...I have seen first hand how YSP can be beneficial. I will outline below:

1) YSP benefits buyers by allowing them to minimize the funds needed for closing. As we all remember when purchasing our first home...we know the challenges of coming up with down payment and closing costs. By allowing for YSP to pay for closing costs, this allows for more people to buy. This is certainly advantageous for low to moderate income borrowers who struggle with the down payment...let alone the closing costs.

2) I have had many customers who wanted to refinance but weren't sure how long they would be in their home to recover the costs of refinancing. By using YSP to pay for all or part of the cost, it make the borrowers decision easier and less costly in the short run...I am sure many of the readers of this comment including those at the Federal Reserve have actually used this technique in your refinance.

3) Level playing field. As we all know, in the Mortgage Broker world, premiums are called YSPs...in the mortgage banking or banking world, it is called Servicing Release Premiums (SRP) or just selling a loan at a premium. When I spent 13 years at 2 banks, 9 of them handling the secondary marketing selling to Freddie Mac, I can tell you, we earned YSP on every loan...it was just called something different. I can not understand why regulators are so blind to this issue...we are talking the same thing...why is it treated differently...seems like a very large double standard? It must be politics and someone is looking for a "scape goat"...the mortgage brokers since there is no other reason for this issue.

In conclusion, I feel based on over 25 years of experience and knowledge running a bank, selling loans to Freddie Mac, and running a successful mortgage company that reducing, capping or limiting the market options for borrowers with the use of YSP is a terrible idea and will hurt mostly the people we want to help.

Thank you in advance.

Vernon L. Morrison
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