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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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To Whom it May Concern, I am opposed to much of the proposed changes to Regulation Z - Truth in Lending - Closed-end Mortgages [R-1366]. Although I am 100% in favor of transparency and disclosure, these measures do nothing to help consumers but actually hurt them financially. Given the 'mortgage meltdown' over the last few years, the lending industry (banks and brokers alike) has already self-regulated to remove risky and costly loans. In fact, the major banks that offered these products such as 2-year ARMs with 3 year pre-payment penalties and Option ARMs have all either shut down or have been absorbed by larger banks who have received TARP funds. The 2-year ARMs and other short-term adjustables were marketed by sub-prime lenders such as Countrywide, Ameriquest, Indymac and such who have either been absorbed (Countrywide by Bank of America) or shut down. The other major culprit to the industry were the Option ARMs that had a key-feature of negatively amortization. The major lenders for this were Downey Savings & Loan (absorbed by US Bank), Washington Mutual (absorbed by Chase) and World Savings & Loans (absorbed by Wachovia). These products have ALL been eliminated from the market place. Consumers still have choices in current financing, but these products no longer have prepayment penalties or other features making them more expensive or risky. This proposal seems to be designed to chase Ghosts. Measures have already been taken to safe-guard the consumer. The new "Good Faith Estimate", although weighted in favor of banks and actually confuses the consumer, will be implemented over the next few months. National licensing will also be implemented in 2010. If the Government really wanted to protect the consumers, they would be better off enforcing regulations already in place. The MAIN contention with this proposal is the elimination of Yield Spread Premiums (YSP) which is offered by wholesale lenders to Brokers who originate loans on their behalf. YSP hurts consumers no more or less than Old Navy does by their selection of a different supplier of cotton with cheaper costs. Removing YSP will essentially force Brokers (which are primarily small businesses) out of the business and will give the large banks the upper hand which WILL result in increased fees to consumers as well as stifle

competition. Instead of having dozens of lenders to chose from, there will exist 4-5 large banks for a consumer to choose from to originate their loans. YSP is always disclosed to the borrowers, unless they are working directly with a bank then the banks compensation is not required to be disclosed. Regulations already in place REQUIRE lenders to re-disclose terms of the loans and give consumers a waiting period in which to review those terms. Terms include
interest rate, fees and YSP. Personally I use YSP to help home buyers off-set their out-of-pocket expenses. In order to stimulate the housing market and the economy it is essential to have a healthy demand for housing inventory. Without YSP borrowers will not have the option to have their broker/lender pay for some of those fees which will result in larger out-of-pocket expenses. This will in fact reduce the number of qualified home buyers. Yes, they may have excellent credit and sufficient income to service the loan but they may be short even $1,000 to buy their first home. Here is an example of a loan I have recently closed. I had a borrower who purchased their first home in 2008 with financing obtained through Wells Fargo. Wells Fargo had set up an escrow account to pay the borrowers property taxes. Less than a year into the loan Wells Fargo informed the borrowers that they had mis-calculated the escrow account and their payment would INCREASE $162 (about 6.5% higher). After purchasing their home they spent a good deal of their savings for a new roof, paint, furniture for their boys room and other expenses. Previous to buying this home this family of 5 had been renting a 2 bedroom house for the last 9 years. They had contacted me about loan options. In order to help them 1. save money and 2. not have to come out of pocket, I was able to place them into a new loan that DROPPED their payment almost 10% of their current payment AND I was able to use the YSP paid by the bank to pay for ALL OF THEIR COSTS. The YSP paid their underwriting fees, their escrow fees, their title fees, the notary fee and appraisal fee. There was still enough left to pay me my commission. They had to come out of pocket $500 to cover interest charges AND they were able to skip a month of payments. If YSP is banned, this would not be possible and they would be at risk for a potential default. Another example. I have a new client who is a first-time home uyer. He is a single father with 2 children and has recently become permanently disabled. He has some savings and monthly checks from the Government and insurance. His savings is enough to cover a minimal down payment but not enough to cover all of his closing costs. Furthermore, his lease is up soon and his rent will increase. Using YSP I am able to give him a slightly higher rate (about 0.25%) and pay for a good portion of his closing costs. His new mortgage payment is LESS THAN HIS CURRENT RENT. If YSP is banned, he would be living pay-check to pay-check in aparment with his young children. This proposal makes no sense. Eliminating YSP will: 1. eliminate 'no cost loans' to all borrowers. 2. increase out-of-pocket expenses for all borrowers 3. remove many First-Time Home Buyers from the market due to increased expenses. 4. Reduce the demand for housing inventory 5. low income borrowers will be priced out of the market 6. lead to reduced competition by eliminating brokers and giving borrowers less options 7. will lead to the unemployment of brokers, appraisers, escrow officers, title companies, notaries and such. their families will suffer, their own houses will be in danger of payment default if not already. In summary, I do support disclosure and transparency. I am 100% in favor of consumer education and understanding. However, I am 100% OPPOSED to any proposals or regulations that will severely hurt home owners, home buyers and small businesses. Thank you.