

From: Monterey Mortgage Corporation, Gail Foy  
Subject: Reg Z - Truth in Lending

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Comments:

To Whom It May Concern:

I am writing in reference to The Federal Reserve Board Proposed Rule revising Regulation Z as it pertains to closed-end mortgages that proposes major changes to mortgage disclosures, originator compensation, and anti-steering language. This proposed rule seeks to eliminate all payments to loan originators that are based on the terms or conditions of a loan.

I have GRAVE concerns over the Board's "Option-A" proposal....because this will GREATLY and NEGATIVELY impact my business.....and my customers..... As a matter of fact, IT WILL BE CATASTROPHIC to the housing industry and will put many, many, many small businesses "OUT OF BUSINESS".....and put customers in jeopardy also.  
THIS WILL DEVASTATE the lending industry, for we cannot operate without a profit margin. Notice that I said, "profit margin" ....NOT....repeat NOT... "gouging"!!!!

I have been in the mortgage business for 34 years and I have owned my company for 17 years. I am NOT a "sub prime" lender, but a Broker who has always played by the rules and who has always treated my customers with respect and with honesty and with outstanding customer service!! A testament to this would be the ongoing and continual CUSTOMER referrals that I have received over my many years in the business. So, PLEASE, do not disparage my name by putting all Brokers in the same category!!!!!!

The removal of yield spread premium, which is a VITAL consumer choice, will further NARROW our already LIMITED ability to serve the consumers who desperately need our assistance to buy homes, refinance homes, and build homes... and MOST OF ALL to continue to foster a HOUSING RECOVERY!!!!!!  
Gentlemen.....Home ownership is the AMERICAN DREAM that everyone wants to have a part of.....WE CANNOT RECOVER in the housing market if we do not have a mortgage industry for our consumers to turn to for assistance!!!!!! THIS WILL PUT THE MORTGAGE INDUSTRY IN GRAVE DANGER.....and PUT HONEST, SMALL BROKERS OUT OF BUSINESS!!!! THIS IS NOT RIGHT.....IT IS WRONG!!!

Here are just SOME of the benefits of Yield Spread Premiums:

1. Yield spread is not simply a means of compensating mortgage originators, it also serves the consumer interests by OFFERING THEM CHOICES.....by affording them GREATER flexibility in structuring loans to meet THEIR needs.
2. Yield spread premiums allow consumers to compensate originators for their origination services when they pay NONE, or only SOME of the origination fees or closing costs up front. This is a LEGITIMATE and LEGAL way for borrowers to finance those up front costs through the interest rate. Gentlemen.....HUD has AGREED WITH THIS since the late 1980's!!!!!!
3. When a consumer chooses to finance closing costs and origination costs through the interest rate, then this allows the borrower to immediately start

building wealth through their home WITHOUT requiring SIGNIFICANT outlays of cash IN ADDITION TO the down payment at the outset of the loan transaction. In other words, Yield Spread Premium is VERY beneficial for many consumers who are ready to own a home but have to OVERCOME the hurdle of significant closing costs.

Yield Spread Premium is also good for the customer that chooses to realize the savings of KEEPING THEIR CASH and financing their costs through their loan rate.

4. Mortgage originators OFTEN use yield spread premium to ABSORB costs on behalf of the borrower.....in order to be COMPETITIVE in the open market.....especially with the "BIG BANKS"!!! Also, there are certain fees that cannot be borne by either the borrower or the lender, so these fees have to be ABSORBED through the yield spread premium. In such instances, the originator's compensation is reduced accordingly.

As a small business owner who has always conducted my business with honesty and integrity, I implore you.....PLEASE DO NOT ALLOW THE ELIMINATION OF YIELD SPREAD PREMIUMS. It will ELIMINATE OUR INDUSTRY!!!!

Sincerely,

Gail Foy, President  
Monterey Mortgage Corporation