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Comments:

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I have owned my mortgage brokerage firm since 1994 and have originated residential mortgages since 1992. My company has originated and closed over 10,000 residential transactions in the NY, NJ and CT area in the last 15 years. I employ 24 people. Most have been at Apple more than 8 years. Some more than 10 years. Our staff is highly educated. Everyone has a college degree. There are 3 former lawyers and 1 former CPA. My staff is multi-lingual. We have never had 1 complaint!!! We speak to over 400 consumers/applicants on average a month. I know the difficulties they face in getting a purchase or refinance done. Contrary to what may be the media's portrayal of a mortgage broker's use of yield spread, I and my originators have found that yield spread is absolutely necessary in solving a number of serious issues for consumers/applicants. First you should note that over the last 15 years the average yield spread that my company has earned per transaction is just under 1 point. The yield spread is not used to line our pockets at the expense of unknowing consumers/applicants. However, its been used to help our consumers/applicants/clients close their transactions and close with less cost then if they applied to a lender that didn't return some yield spread. I am listing below a number of examples of how yield spread has helped us aid our customers. 1) In the NY Area it is very difficult to close a transaction in 60 days for many reasons. Co-op boards take foreover to approve a purchaser or someone refinancing. Managing agents are difficult. Seller's are difficult. Most lenders do not offer more than a 60 day lock for free - no money upfront. In this case we will take a portion of our yield spread and use it to pay the per diem extension fee at a bank. For example, Fifth Third currently will charge .125 point for every 5 days extension on the rate lock. We will offer our clients their 60 day lock for 70 days by taking .25 point from our yield spread.

This helps the applicant know their worst case rate. It also takes away any uncertainty when it comes to qualifying. With the advent of FNMA's strict 45% back-end debt-to-income ratio we must know they can qualify for the mortgage at the beginning of the transaction and in most cases before they sign the contract. Otherwise if we floated their rate and rates moved against the consumer before they locked they may not qualify for their loan. 2) We use yield spread to help the client qualify and limit their out of pocket costs. This occurs on a number of transactions. When a client is buying a co-op with an agency-jumbo, or has a credit score under 700, or is financing more than 80% or is purchasing a 2-family FNMA/Freddie has a grid full of add-ons to the points. 1 point add-on for a 2-family for instance. If we were given only 3 rate options: one with 1 point yield spread, one with 0 points or par and one with a point to the bank we would not be able to deliver the loan to the client for 0 points. This will cost the client more at closing and in most cases the client wouldn't be able to afford it. Another example, If their credit score is below 679 and their LTV was over 70% then it would cost then another point or more. Here the base charge is over 2 points. If a client doesn't have the liquidity for the extra point or 2 or needs to prove to the lender that they have enough in post closing reserves to qualify then without giving them a portion of our yield spread they wouldn't be able to qualify. In sum, they would have to pay the points and would be less likely to qualify and close. You would be hurting people's chances of qualifying not helping them. 3) We have many clients who dont have the necessary funds to close when putting down less than 20%. Here we will take a portion of our yield spread to pay a portion of their closing costs. If a client is getting 90% financing and needs money to cover all of their closing costs we will charge a rate where we make 3.5 points from the lender. We will then take 2.5 points and give it to the client so he can close. Since banks have cut LTVs on their loans to 90% or less there are fewer applicants that can meet the 10-15% down payment requirements and still pay the full list of closing costs. Being able to price a loan with a high yield spread where we can give our clients back points to defer these costs helps our clients afford and qualify for the transaction. 4) When refinancing it doesn't make sense for some clients to pay for all of their closing costs. For example, if the client is thinking of selling the apartment in about 3 years he would want to know that he is recouping his closing costs usually within the first year after the close of the refi. Here we will always pay part or all of our client's closing costs. We would never be able to close the refinance if we couldn't charge a slightly higher rate and use a portion of our yield spread. 5) Our market in the NY meropolitan area (including CT and NJ) is so competitive and tight that in most cases the only way we can close a refinance or purchase is to refund some closing costs. Being able to tell a client that we will refund the appraisal, bank's attorney, title fees and/or underwriting fees enables us to close more loans. 6) Eliminating yield spread or greatly curtailing it would destroy Apple Mortgage. My 24 employees would no longer have a job. Sue Sullivan has worked here for 13 years. She supports two boys. Karla Devonish has been here 11 years and has a family to support. Gary Lieb has been here 12 years and has his wife and three kids to support. Eliminating or curtailing yield spread would be kill our business. 7) Eliminating or greatly curtailing yield spread would hurt consumers by destroying their ability to obtain competitve financing bc you would be eliminating mortgage brokers. Again My business is based 100% on referrals. Our clients hire us because they know we are looking after their best interests. There's a reason they consistently use our services. We obtain competitive financing at competitive rates with low closing costs. We are only able to do that because of the yield spread. Eliminating brokers like me will hurt their ability to obtain financing at least in my market - the most diverse property market in the world. We have co-ops, condos, condops, 1-4 families, mixed-use properties, AIR condos and coops, new construction, combination units. I can go one. The diverse market makes it very difficult for one lender to service every type of property. An experienced mortgage

broker knows which lenders will lend in which buildings. Eliminating yield spread would essentially put me out of business. My clients would not be able to walk into any bank to get financing. Mortgage financing is no longer a commodity. The profession is exactly like when I started in 1993. FNMA has set strict guidelines for co-ops and condos. You have to conduct a decent amount of due diligence on the property (not just the applicant) before you take an application to a lender. Bank of America, Wells, Citi and we hear Chase are mostly FNMA/Freddi/FHA lenders. They aren't lending on their portfolio. The market has turned away from FNMA/Freddie and is now turning back to the portfolio lenders - savings banks. These banks have 30-40 page underwriting guidelines. It takes an experienced broker to know where to obtain financing and how to deal with that lenders's bureaucracy. Did you know that the average mortgage application from initial conversation to closing can take up to 75 hours between the originator and processor. The average file is over 4 inches thick of paper. It takes specific industry know-how that we have developed in the last 15 years. No one lender can service the mortgage market. Those days are gone. By eliminating brokers like us you will curtail consumers choices.
My suggestion. I can go one with more reasons why I think yield spread is essential to the property market. I'd rather explain what I find to be the
best way to regulate my industry and show we are competitive. Have each state require an application disclosure like NY which describes our duties. In it we must describe the maximum we can earn in a yield spread just like in the GFE. Anything over that amount must be returned to the client. These regulations have well served our clients and in turn Apple Mortgage Please dont hesitate to call/email any questions. Feel free to call me at home