From: Capital Mortgage Finance, Robert C Keller

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Name: Robert C Keller
Affiliation: Capital Mortgage Finance; A Division of First National Bank of Chester County
Category of Affiliation: Commercial
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:
This proposal is going to eliminate the availability of yield spread premiums to Lenders and Brokers. That could possibly cripple the consumer''s ability to get a conventional mortgage. Let me give you some examples based on a purchase of $175,000 with 10% down payment and a loan amount of $157,500. Credit Score 680-699 an additional cost of $1,181.25 in closing cost Credit Score 660-679 an additional cost of $2,756,25 in closing cost Credit Score 640-659 an additional cost of $3,543.75 in closing cost Another example: a cash-out refinance based on an appraised value of $200,000 and a loan amount of $160,000 which is 80% loan to value Credit Score 680-699 an additional cost of $4,800 in closing cost Credit Score 660-679 an additional cost of $6,600 in closing cost Credit Score 640-659 an additional cost of $8,600 in closing cost All of the figures for the charges I am providing are due to the additional fees lenders are charging. Without the consumer being able to choose a slightly higher interest rate and use the YSP to cover some of these fees, they are going to have to pay for them out of pocket. Not only will this hurt the consumer''s savings, but depending on the exact loan scenario, some will not even be able to do the loan because the upfront fees will exceed high cost loan limits set by the HB 552. I feel you need to examine very closely the disruptive impact this could cause on the housing market and the mortgage industry overall. Yield spread premium is NOT a tool to enable brokers to ''make more money by selling a higher interest rate loan'', but a tool to enable the borrower to choose what structure of the mortgage financing is going to fit their needs best. If a consumer plans to own a home for a shorter period of time, it only makes sense for them to eliminate some of their up-front expenses (which can be paid by the originator out of the YSP instead of by the client). If YSP were to be eliminated, all clients would have to pay ALL of their expenses
up front, thus forcing some consumers to pay MORE money for the financing of their home. An experienced and well trained loan officer will walk a borrower

through multiple options and help the client choose what makes the most sense for their needs. Take this example of two consumers with very different needs. Two people need to buy new cars. Person 'A' drives 100 miles a day to and from work. Person 'B' takes public transportation most of the time, but needs a car for very occasional or emergency use. Person 'A' should obviously choose a gas electric hybrid car, even if the premium to purchase it were to be $5,000 more than a comparable gas-only vehicle. This is because over time, person 'A' will recoup the additional premium spent on the vehicle in the gas money they would save, and would likely save even MORE money over the long term; a good choice for person 'A'. Person 'B' should reasonably avoid paying the extra $5,000 for a hybrid, as their gas consumption savings would likely be dwarfed by the added expense of such a vehicle. R-1366 is like forcing person 'B' to spend that extra money on a hybrid car despite the fact that it is not financially in their best interest. R-1366 will eliminate the consumers' ability to choose the strategy that best fits their personal needs. Granted this analogy may have environmental implications, a consumer's decision on mortgage financing structures does not. Government involvement in mortgage financing should seek to provide nationwide licensing and educational standards for loan originators as well as reasonable amounts of consumer protection, not for price or market manipulation. You have to be licensed to drive a car, but you don't need to be licensed to originate a $400,000 mortgage??? Eliminating yield spread premiums will also eliminate no-cost mortgages. For borrowers who have little or no equity, the lenders ability to pay their closing costs out of YSP''s allows many to refinance that otherwise would not be able to. Also, potential homebuyers would lose the ability to purchase a home if they don''t have sufficient funds to pay all their closing costs. The demise of down payment assistance programs has limited the number of families who can afford to buy a home. All their cash has to go to the down payment. If lenders cannot pay some or all of their closing costs from YSP''s, then they are effectively eliminated from the home buying market. Is this what you intended? I think not. Saying that all lenders ''steer'' borrowers to high priced mortgages in order to earn higher YSP is untrue and misrepresents those of us who often use YSP to assist the home owner/buyer when they don''t have sufficient funds to complete a transaction. Not all mortgage lenders and brokers are unscrupulous. Please do not throw out the baby with the bath water in making blanket rules to purportedly protect the consumer. You''ve already screwed up enough with MDIA that has created major problems for the consumer, most of whom are unawarof these changes and the cost associated with them. Longer lock periods are now necessary to meet these requirements, resulting in higher priced loans to the consumer. This is not what you intended either, but that is the result. Your failure to research the result of these rule changes has had a deleterious impact on the borrowing community - not the opposite. RESPA disclosures were already required well in advance of any closing AND YSP''s have been disclosed for some long time now - except, of course, by banks - who appear to be exempt from disclosing anything that might relate to profit. And calling a YSP by any other name is utter nonsense. Many banks state that YSP's are Service Release Premiums! Who are they kidding? Certainly not me. By creating this longer waiting period through MDIA, borrowers can no longer take advantage of low rates because they have to lock for 45 to 60 days - and we all know that longer lock periods cost more! Do your homework. Also, the amount of YSP (and including total other fees) that any lender can earn on a loan is already limited to 3% - 5% in most states. Why are you trying to tell us that we can't make a living? Who tells you how much money you can earn? If I had your government salaries, I wouldn't need to work at all. At age 66, having been a mortgage broker for 30 years, I would love to retire. However, all the YSP's I've ever collected won't allow that and I am still plugging away trying to help people buy a home or refinance into a better

loan. The elimination of YSP's will further limit the ability of mortgage
brokers to earn a living, thus further reducing the consumer's choices. Is it
your intention to allow only banks to make mortgage loans? If so, 80% of those
seeking to purchase a home or refinance, will end up on the scrap heap. Once
declined, banks are unwilling to work as hard as a mortgage broker to get the
loan done. I have worked with borrowers for months and months trying to get
them ready to buy a
home. Haven't I earned my fee? None of my borrowers have ever complained and
none ever will, since I don't gouge them with higher rates simply to line my
own pocket. Please take into consideration all of the above factors before
passing these changes