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Subject: Reg Z - Truth in Lending

Comments:

Date: Sep 23, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
Document ID: R-1366
Document Version: 1
Release Date: 07/23/2009
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Comments:
The elimination of Yield Spread Premium as a compensation method for mortgage brokers would severely limit competition, ultimately eliminate the mortgage broker channel and further reduce consumer benefits (aggregated with reduced free market-based loan products, FICO xx credit score reductions and the hidden expense of the Home Valuation Code of Conduct, or HVCC). There is no disagreement that many of the issues related to mortgage industry were in desperate need of boundaries, however, the legislative response is the equivalent yelling at your children because you had a bad day at work. The market has corrected itself in many ways already and with enhanced disclosure through the new TILA clients will be well informed at to how compensation is being earned. To better understand the resistance by the mortgage broker channel to eliminate Yield Spread Premium you must understand a few points.
A. Yield Spread Premium allows a client to reduce closing cost expenses, thus making a refinance transaction''s break-even point much quicker. This is most useful when a client is unsure about their intentions for selling their home.
They can benefit from the payment reduction without exposing themselves to a potential loss. B. Yield Spread Premium reduces closing costs on purchase loans where the client is struggling for down payment money and closing costs. C. Yield Spread Premium varies from wholesale lender to wholesale lender. More cost-efficient lenders offer higher premiums to their brokers which creates lower net/net rate/closing costs opportunities for consumers.
D. Yield Spread Premium is disclosed up front through the broker channel.
Consumers know the complete compensation associated with their broker''s handling of their loan. The initial Good Faith Estimate and Broker Agreement include Yield Spread Premium as part of the disclosure. By the consumer seeing the full compensation earned they can better negotiate. Mortgage Bankers are not required to disclose in this manner. The incongruence between these two channels allows consumer to be duped into believing a Mortgage Banker does

their loan for free. Without the equality in pricing consumers don''t know how to truly negotiate. Rectifying this would bring complete disclosure to the consumer, regardless of the sales channel and ultimately stimulate competition. The elimination of Yield Spread Premium as a compensation method for mortgage brokers would severely limit competition, ultimately eliminate the mortgage broker channel and further reduce consumer benefits (aggregated with reduced free market-based loan products, FICO xx credit score reductions and the hidden expense of the Home Valuation Code of Conduct, or HVCC). There is no disagreement that many of the issues related to the mortgage industry were in desperate need of boundaries, however, the legislative response is the equivalent to yelling at your child because you had a bad day at work. The market has corrected itself in many ways already and with enhanced disclosure through the new TILA, clients will be well informed as to how compensation is being earned. To better understand the resistance by the mortgage broker channel to eliminate Yield Spread Premium you must understand a few points. A. Yield Spread Premium allows a client to reduce closing cost expenses, thus making a refinance transaction''s break-even point much quicker. This is most useful when a client is unsure about their intentions for selling their home. They can benefit from the payment reduction without exposing themselves to a potential loss. B. Yield Spread Premium reduces closing costs on purchase loans where the client is struggling for down payment money and closing costs. C. Yield Spread Premium varies from wholesale lender to wholesale lender. More cost-efficient lenders offer higher premiums to their brokers which creates lower net/net -- rate/closing costs opportunities for consumers. D. Yield Spread Premium is disclosed up front through the broker channel. Consumers know the complete compensation associated with their broker''s handling of their loan. The initial Good Faith Estimate and Broker Agreement include Yield Spread Premium as part of the disclosure process. By the consumer seeing the full compensation earned they can better negotiate. Mortgage Bankers are not required to disclose in this manner. The incongruence between these two channels allows consumer to be duped into believing a Mortgage Banker does their loan for free. Without the equality in pricing consumers don''t know how to truly negotiate. Rectifying this would bring complete disclosure to the consumer, regardless of the sales channel and ultimately stimulate competition. In summary, Yield Spread Premium provides consumer choice and represents nothing more than sales margin. In the end, the market decides based on rate/payment and closing costs which offer is best for them. By disclosing thse issues (as is already being done) the client is able to decide based on an informed position. I have paid $3.00 for a soda located on the 25th floor of a hotel and I''ve paid $.25 per can while shopping to go camping. I knew what I was doing in each case. The hotel made a premium because of convenience. Did they take advantage of me. Maybe, but I could have refused. I was really thirsty!