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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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Comments:
The attack on yield spread that has been going on is simply because those involved do not understand what yield spread really is. Brokers receive a certain amount of Yield Spread from the bank depending on the rate offered. Rates will always be contained by the marketplace. If you are quoting a rate it has to equal to or better than the market or you simply will not get the borrower as a client. They will go elsewhere. Banks do the exact same thing and have the same profit built in except they call it SRP. The SRP is the banks profit and covers the banks overhead. Why is there not legislation going after SRP. The banks will always be able to build profit into a loan rate. The only difference is that the brokers yield spread is disclosed. Banks don''t even have to disclose their SRP. As a broker I can always offer a rate with yield spread (a bit less than 1%) and still outprice any retail bank rate by abour 1/4%. Getting rid of yield spread will essentially get rid of brokers. And the end result will higher rates for the borrower. Wholesale will be gone so the large banks wll be allowed to set rates and profit at whatever they see fit. The scenario you are building with this act will be very negative for the marketplace and the housing market. I do agree that in the subprime world there were stories about broker abusing this from cleint to client. But those problems have been weeded out. In the conventional rate world clients know exactly what market rates are and what their fees should look like. The legislation going on now is really trying to fix a problem that has all ready been corrected by the marketplace.