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Subject: Reg Z - Truth in Lending

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Comments:

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Proposal: Regulation Z - Truth in Lending - Home-Equity Lines of Credit (HELOC)  
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The elimination of the yield spread premium will have a devastating effect on the lending industry! Mortgage brokers can not exist on a 1% loan origination, The cost of processing a loan now exceeds that, especially small loans under \$100,000.00. If you drive the mortgage brokers out of business, you will only have banks as mortgage lenders! It seems this may be the underlying objective for this rule change. This would take all competitiveness from the marked place, especially since banks are not required to disclose their yield spread premium even when they sell their mortgages just like us mortgage brokers. This seems to be an unfair business practice itself. When you eliminate yield spread premium, you eliminate many options for the consumer. One of these is the ability to do a "No Cost Mortgage" where the closing costs are paid for by the lender out of their yield spread premium. This type loan is especially useful to some one who is only going to be in their home for a short period of time. As a mortgage broker for the past 29 years, I have always recommended the same loan to my customer that I would use for myself. The yield spread premium is directly proportionate to the interest rate, Today's consumer is very good at shopping the interest rates available. A Broker who tries to overcharge a customer will invariably lose the customer to a more aggressive broker. This fact within itself eliminates the so called need for this rule change. Also, the yield spread premium is disclosed on the good faith estimate as well as the Hud-1. The consumer has every opportunity to reject any unfair charges. With the recent changes in TILA, the good faith estimate must be almost 100% accurate or must be re-disclosed. Therefore, eliminating the yield spread premium for mortgage brokers would be one of the worst things you could do. It would close most all honest mortgage brokers such as myself while giving the banks a open door to rip off the consumers. Almost all the customers I have had that have delt with a bank in the past felt they were ripped off. It is common knowledge in the realtor community that mortgasge brokers offer the best loans to their customers. The yield spread premium is the reason for this.

Please do not harm the consumer by eliminating a very large percent of their options. It seems the banks have pushed this so called idea every so often for the past 29 years I have been in this business. Do not destroy the mortgage industry by eliminating the yield spreads premium!