

From: Mitch Mills  
Subject: Reg Z - Truth in Lending

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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages  
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Name: Mitch Mills  
Affiliation:  
Category of Affiliation:  
Address:  
City:  
State:  
Country: UNITED STATES  
Zip:  
PostalCode:

Comments:

I am a mortgage broker but have worked as a mortgage banker during my 11 years in the mortgage industry. The process of taking a mortgage loan from initial application to the closing table is almost indistinguishable between the two. Additionally, the compensation is virtually identical. When a mortgage banker sells a loan for servicing they are paid a Service Release Premium (SRP) by the new servicing lender. When a broker releases a file to an investor the broker is paid a Yield Spread Premium (YSP). While they are assigned different labels the SRP and YSP are exactly the same. The interest rate charged to the consumer always has either a YSP or an SRP attached to it. Therefore, it is not fair to exclude the YSP and not the SRP. They both represent compensation paid to the originating entity on the back end of the loan and the consumer is naïve to the process in both cases. Actually, a broker is currently required to disclose the YSP on the final settlement statement. A banker is not required to disclose the SRP at any point in the process. I would argue that currently a broker-originated loan offers the consumer MORE transparency than a bank-originated one. I have been recruited by mortgage bankers that remind me that "as a banker you don't have to disclose what you're making on the back end of the loan." Yet this proposal would eliminate broker YSP. It is inequitable to eliminate YSP and at the same time allow SRPs. This would essentially eliminate brokers as an option for consumers, offer them fewer choices, reducing competition, and in any market less competition means higher prices. Brokers are not the problem with the housing/mortgage industry. Brokers serve an important role in the industry. The service I provide today is equally as relevant and valuable as when I worked as a banker. I appreciate the efforts to improve the housing and mortgage industries for which I have earned my living in since 1991. I have worked hard to integrate the new consumer protections into my business and I gladly accept rule changes that result in real consumer protection. I don't believe this one does in respect to the elimination of the YSP. I urge you to keep the competitive

playing field level between brokers and banks going forward.