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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 Federal Reserve Chairman''s proposal at a glance seems like a sound proposal to ratify or eliminate the practice of "paying" Yield Spread Premiums to mortgage loan originators. But, it will have the opposite effect by costing homeowners, especially first-time buyers, more money in upfront origination fees and costs. A "YSP" is the only way a loan broker or mortgage originator can offer competitive rates to the consumers while keeping their out-of-pocket costs as low as possible through the use of properly disclosed pricing. A borrower may wish a no cost or low cost loan and that is only available because it comes from the YSP paid by the investor or through Fannie Mae or Freddie Mac to the lender. Eliminating the payment of the YSP lowers the note rate but increases the cost of the loan ultimately to the consumer. So, while loan officer compensation will likely remain the same, the borrower will be unable to obtain a loan at a lower net cost. This will harm the consumer and the lending industry as a whole will not be operating efficiently to offer consumers choices of various rates commensurate with the upfront cost or the elimination of upfront costs. First time buyers with lower personal assets would be disabled from purchasing a home if YSP were to be eliminated. Banks would "charge" more to offer less competitive rates than are now available and would not have to offer originators any compensation for offering consumers higher note rates with higher net yields. It is my opinion that therefore the largest banks would effectively wipe out the smaller producing local-market mortgage correspondent loan officers and mortgage loan brokers because the larger national banks would reap the rewards with higher profits without the payment of the YSP to their originators while the consumer would suffer irreparable damage from the higher cost loans without the safe haven of the fair market priced system now in place. In the 1980''s, when mortgage brokered loan
were much less common, there were no YSP or rebate pricing paid. Borrower''s simply paid more in points and fees. Loan were more expensive and fewer

consumers could purchase real estate. With the advent of the YSP in the late 1980''s after the S & L debacle, loans became less expensive and more buyers could afford to enter the market with lower cost programs offers through the use of YSP. The real estate market spurred strong growth and many entry level buyers were able to become home owners. Let''s not revert back 30 years when only a few were afforded the privilege of being home owners. The system now available is not abusive, is in fact cost beneficial to borrowers for purchase and refinance loans and offers a array of well priced loans in which the rates are matrix-priced so that we are not in a one rate fits all world. The consumer would be able to continue to obtain a properly disclosed home loan and the loan originator could continue to exist in the guidance to the consumer by offering choices best suited for each home owner''s unique situation. Thank you for allowing me to post my comments on the Board''s web site and I am available to speak publicly to comment about the Board''s proposed changes.