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Subject: Reg Z - Truth in Lending

Comments:

Date: Sep 28, 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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The elimination of Yield Spread Premium would injure potential borrowers in a number of ways. A Little YSP History. This term "Yield Spread Premium" (also called YSP) was an industry wide term used by both banks and brokers who sold loans into the secondary market at higher rates (yield spreads) as a "standard operating procedure". After the RESPA reform in 1999, the bank lobby got to set the terms.literally. They got Congress to legislate two different meaning for the practice of delivering loans to the secondary market above the rate required to earn the premiums. They were clever. They got the revenue from the same practice if done by a mortgage broker to be called Yield Spread Premium.and got it regulated for the first time. However, if this same practice was done by a bank, it was called SRP or Service Release Premium.and SRPs were left unregulated.to this day. Redefining terms and legally giving the same practice two different names, is pure semantics. Lobbyists are very good with semantics, especially if it can eliminate your competition while still preserving a huge profit center. Back in 1999 when the big bank lobbyists petitioned for yield spread premium reform, they certainly weren't pushing to reform themselves! They wanted to force the mortgage brokers to disclose the income they generate from YSP on the initial estimates and at closing in the hopes consumers would, in contrast, see non-disclosing banks as the cheaper alternative. But then came the mortgage crisis and the bank lobby found it's opening to demonize the brokers again, now on YSP. I am a Washington State Mortgage Broker and have been disclosing the YSP to my clients for a number of years. There is also an overall cap placed on the amount any broker can earn on any given transaction from most lenders so this is another a good tool employed to keep borrowers from being abused at the hand of YSP. Why is YSP on the table to be banned? Answer: The bank lobbyists are again pushing to put Mortgage Brokers at a competitive disadvantage in the market place with the potential to eliminate the entire mortgage broker industry. Why is it important

to you? Laws being proposed here could kill off their competition and will increase the costs and rates for the average American Consumer attempting to get a loan. Besides that we are talking real money here.hundreds of millions over time! Do you really want a new law that might perpetuate the rise of "too big too fail" mortgage banks. Once the small business mortgage broker is gone.that's all that is left. Giving complete control of the mortgage industry to a small group of bankers this will result in higher fees and rates to consumers. Please do not pass a law that will take away the American Consumer's choice to use a bank or a broker for their next mortgage, and certainly, don't let them pass a biased law based on semantical nuance that kills competition, and favors one specific sector of our economy (big banks), This law would destroy thousands of small businesses in the process. The documented abuses and recent failures of Countrywide and Washington Mutual both huge out of control mortgage banking lenders. This proposed law could set the table for that type of bank sponsored mortgage monopoly. If you want to effect actual change, honesty and compliancy in the mortgage business make all originators conform to a standard set of federal disclosures. It shouldn't matter whether the originator works at a bank or for a broker or anywhere else. All mortgages originators should disclose to a potential borrower the same way under one set of rules so the client can decide who to do business with. Affiliated Business Agreements are now becoming a problem in the industry. Real estate firms are so entwined with a particular bank or mortgage company through a direct ownership or fiduciary relationship those referrals for monetary benefit serves the real estate firm and in house mortgage company much more than it serves the client trying to obtain the best financing available. You have the entire future of the mortgage business in your hands. Pass this law as proposed and the unintended consequences will be severe for the entire mortgage industry and the American Consumer. Respectfully, Joe Prevost Mortgage Broker Pioneer Financial, LLC