

From: Molitor Financial Group, LLC , Christian J LeBarton
Subject: Reg Z - Truth in Lending

Comments:

Date: Sep 29, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
Document ID: R-1366
Document Version: 1
Release Date: 07/23/2009
Name: Christian J LeBarton
Affiliation:
Category of Affiliation:
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

I am a mortgage broker, and I consider myself mostly representative of the remaining members of my profession. I'm focused on securing a fair and sensible loan for my clients, making my living by providing value through honest communication, market incite, and most importantly flexibility. Real estate is often the biggest, most personal, and sturdiest long-term investment most Americans will ever make. It builds wealth, offers tax shelter, and consistently endures the test of time if built well and secured responsibly. I can't vouch for the quality of construction, but I can protect my clients by educating, staying educated and offering options that make sense in the short and long term for their home loan. To this date, not a single client I have worked has lost their home to foreclosure. Not a single one has filed a complaint against me or my company with the Illinois Department of Financial and Professional Regulation. What I'm most proud about, however, is that I have been able to survive in this industry on almost 100% referrals from clients and other real estate professionals who feel as though I've taken care of them by meeting their needs and delivering what I've promised. Which brings me to my concern with the proposal being debated regarding Regulation Z, Truth in Lending, and Closed-end Mortgages [R-1366]. I'm concerned that in a continued fight to get our financial and housing industries in order, too much focus on mortgage brokers and how to minimize or eliminate their ability to play a part in real estate has led to blindness among law makers, lobbyists and consumer advocates. A major aspect of this bill - the dissolution of Yield Spread Premium - would serve to effectively remove mortgage brokers from the world of real estate finance, and do so in the name of consumer protection. If mortgage brokers are gone, homeowners won't be steered into the wrong types of loans, or pay too much in fees, or deal with confusing disclosures or misleading information. The problem is that this is all wrong. If brokers are eliminated, competition follows suit and consumer protection has taken 1 step forward and 2

steps back. As lending options are consolidated among the major banks, rates and closing costs aren't going to be held down by multiple parties vying for a consumer's business. Additionally, yield spread premium in its current form serves (for the most part) its intended purpose - providing flexible options for home buyers and owners to afford their loans. Particularly in a falling home-price environment, financing closing costs, prepaid items and interest rate buy downs is essential. Yield spread premium is also an extremely easy way for consumers to shop for mortgages and to hold their brokers accountable. Whereas annual percentage rates (APRs) can be easily manipulated and/or misunderstood, YSP is not only disclosed initially (twice, sometimes three times given the lender) but also shown on the borrower's settlement statement. If a broker told you he would make a commission of 1.5%, and he is making 3% at closing, the borrower can easily tell that she is getting a higher rate than she was promised. This would be a far more valuable comparison tool if mortgage bankers were also required to disclose - even once! - what they were making on the "back end" of a loan. The fact that they do not is a show that the competitive playing field for both brokers and their clients isn't level. It's difficult not to let this fight get personal, as it seems as though my origination channel has been under far more scrutiny than any other. We have seen increased fees for our clients, fewer options, harder qualification standards, etc. Yet, the professionals among us fight on because it's what we do, it's who we are, and we know we serve a purpose to our clients. I have included a link to the most detailed outline of this debate that I have found: www.usloanauditors.com/blog/saving-the-yield-spread-premium.html I hope you read it, and I encourage you to talk to mortgage brokers personally and have them show you what YSP really does. It's become a boogey man, and what's needed aren't congressional Ghost Busters. The American people want simple, logical guidelines for all lenders to follow to in order to protect them, and which allow honest professionals a chance to make a fair living. Thank you in advance, Christian LeBarton