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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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The elimination of YSP would be by far the worst thing that could happen to the mortgage industry and specifically to the mortgage broker. Reason is because 90% of the loans being closed are with "zero points" to the borrower and this is by the BORROWERS choice simply because most do not have the money to pay points and/or the equity to finance them. On the face of it this proposal sounds logical meaning if you "steer" the borrower to a higher rate then the YSP is higher and thus the brokers commission is higher but the problem with this "logic" is that it doesn't deal in reality. Reason is because most if not all borrowers are savvy enough to know what is competitive these days especially with the internet AND the new disclosure laws are such that the borrower will now have to know up front what the cost is for the financing. Main problem before was the old "bait and switch" where the broker would say one thing and then at the table deliver another but that really can't happen anymore with all these disclosures the borrowers are getting upfront. Plus again if the market is dictating a 5% rate for example but I'm getting my borrower a 5.50% rate to get a higher YSP then it would be almost impossible for any coherent borrower not to realize this with the upfront disclosure, the internet, news, friends, neighbors all giving consumers what is "reasonable" or market value.....plus the higher YSP does serve it's purpose in many cases where the borrower wants to have the closing costs come from the YSP (basically financing the closing costs through a higher rate) as again many don't have the equity to finance the closing costs and/or the funds to come in with for closing costs.....can you imagine especially in the economy where we could only do a transaction where consumers had to come in with an extra \$3k, \$4k, \$5k, etc.?? If it's all about choices to keep prices down, rates down, etc., then just knowing this then this proposal would basically eliminate the broker channel for loans and thus consumers would be left with the big banks to get their financing which would result in higher rates, fees because of less

competition.....if you think this is all hyperbole then just ask and
CONSUMER what they think of this....."would you rather pay zero points on a
loan or only have the option to pay points to get a loan".....