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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:

While well intended, the proposal to limit a mortgage broker's compensation by not tying it to a rate is a big mistake and will result in less competition, a smaller pool of available resources from which borrowers can shop and fewer choices for consumers. Let me give you three scenarios that show why a mortgage broker earning yield spread premium for offering a higher rate will be in the benefit of the consumer. 1. NO COST LOANS. I just offered a client a NO COST LOAN on a \$534,000 loan at a rate of 5.375% for a 30 YR fixed mortgage. That client is fixing in their adjustable rate mortgage that is at 5.75% and the borrower is not paying a DIME for the transaction. If I were not compensated with YSP by "buying up their rate," I would not be able to offer this excellent deal to my client. It would cost them about \$3700 in closing costs and given the fact that they do not know when and if they will sell their home, they were not willing to pay any fees to refinance. 2. No Point loans. First time homebuyers are often tight on cash. If I, as a mortgage broker, am able to help them obtain a fantastic rate without paying any points, they are able to use that money for a savings account safety net, new appliances for their home, etc. 3. Best rate and fees in town. As a mortgage broker who works 100% by referral from satisfied clients and business partners, I run a very lean shop with minimal overhead. I already compete against Internet banks, local banks, other mortgage brokers and depository banks for my client's business. Because I run lean and do not have to spend millions on advertising to bring in leads, I am able to offer a lower rate and fee structure than my competition 90% of the time. By eliminating the flexibility we have as mortgage brokers to buy up or buy down rate, you are only limiting consumer's choices and options. I strongly urge you to keep the mortgage market a level playing field for all involved...both those in the mortgage industry and consumers. Best regards, Ken McKee Sierra Foothills Financial Rocklin, CA