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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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I don't understand how the practice of lenders paying YSPs to brokers somehow hurts the borrower's ability to shop for the best terms on a mortgage. All borrowers need to do is compare the interest rate and closing costs from different brokers and lenders and see who has the best offer. This is all accomplished with a good faith estimate. The only thing that eliminating YSP will accomplish is putting small business out of business. Bank of America, Wells Fargo, Citbank, etc. earn a commission from Fannie Mae when they sell them the loan. The higher the rate, the more commission they earn. So why is this OK, but a mortgage broker can't earn YSP? As far as "steering" a borrower to a certain program to earn extra YSP I agree this should not be allowed. But all those funky programs are all gone now anyway. Prepayment penalties are extremely rare and usually offer no incentive to the broker. ARM rates don't even pay as much YSP as fixed rates because the lender fears early

payback and doesn't want to shell out YSP on a loan that's going to be paid off shortly anyway. Most people I've spoken to say that this measure is being done to maximize the profits of the big banks and has little to do with consumer protection. I choose not to be cynical and think that the Fed has the public's interest at heart. The best thing for the consumer is more competition. Here's an example: Today's laws: Big bank's quote: 5.125%, 30yr Fixed, 0 points 4.875%, 30yr Fixed, 1 point Mortgage broker: 4.875%, 30yr Fixed, 0 points 4.625%, 30yr Fixed, 1 point Proposed laws: Big bank's quote: 5.125%, 30yr Fixed, 0 points 4.875%, 30yr Fixed, 1 point Mortgage Broker: 4.625%, 30yr Fixed, 1 point "What's the rate with 0 points?"- customer "I'm sorry. Due to new federal regulations we can no longer offer 0 point loans."- broker "That stinks. I can't afford to pay higher closing costs because I want to leave a cushion for myself and my family as we purchase our first home. I guess I'll have to go to a big bank that can offer 0 point loans." -borrower "Yeah,

that's terrible. I guess I'll be out of business soon." -broker "We're in the money!!!" - big bank