

From: Townstone Financial Inc., Barry Sturner
Subject: Reg Z - Truth in Lending

Comments:

To Fed Reserve:

I would like to comment on the following Docket No. R-1366

No doubt your goal is noble, to protect the consumer, but the question is at what cost?

Facts:

1.A consumer can get competing quotes from hundreds of different loan originators and see who has the best quote that includes interest rates and closing costs.

2.What industry has more competition than the mortgage industry?

3.Some consumers are not educated enough to understand an interest rate quote or how to compare costs, this will never change until our education system is improved and there is no way to help these individuals except to offer counseling before they close a loan which as we all know is readily available from HUD.

4.I have been a loan officer for almost 10 years and in many cases I obtain a yields spread premium from the lender AND charge points. I do this to save the consumer money because it's very easy to calculate the "payback period" for a no cost refinance vs. a full cost refinance. If yield spread premium is NOT available the CONSUMER is going to pay full costs in ever refinance and purchase transaction costing them millions.

5.Consumer groups are always putting the "hurt or taken advantaged" consumer on TV or the newspaper, I will counter by saying those who are hurt by yields spread are a very small percentage vs. the millions who have benefited.

6.I am closing an FHA loan next week for a borrower who I could not pay his closing costs, interest to the end of the month as well as his escrows would not be able to do a cash out refinance and pay off over \$60000 in 18% credit cards. What do you say to this consumer, he doesn't deserve the choice of obtaining this loan because you have to protect someone else?

7. A bond or any type of interest bearing asset is bought and sold on the basis of its interest rate (of course there are many other factors), there will always be a premium paid for a mortgage that has a higher rate of interest vs. a lower rate, that will never change, so why shouldn't the consumer have a choice?

Choice, that is the answer to your noble goal. Make sure every consumer has

the choice of a "par rate" mortgage. Make sure every consumer is offered the following and please don't take away the consumers choice. You can protect the consumer and allow them to continue being able to make an educated choice when its in their best interest to have the lender pay their closing costs via yield spread premium:

Let call the new form which will be in plain English--Max Closing Cost vs. No or lower closing costs:

Program 30 year fixed rate mortgage

	Max costs	No costs
Interest Rate	4.5%	5.25
Closing costs	\$4000	\$0
P and I payment	\$1000	\$1045

Number of years to break even-this means you the consumer are going to pay \$4000 in closing costs in order to obtain a lower interest rate of 4.5% and a lower monthly mortgage payment of \$1000. OR you can pay \$0 in closing costs to obtain a higher interest rate of 5.25% with a higher monthly mortgage payment of \$1045.

How many months is it going to take you to "break even?" How many months will it take to "payback" the \$4000 that the lower interest rate is going to cost? We must divide \$4000, by your monthly savings of \$45. When we do this we find it will take 88.8 months or 7 years and 4 months to breakeven. So in the simplest terms, if you intend on occupying or owning this home for more than 7 years and 4 months it would be beneficial to pay the \$4000 in closing costs and obtain the lower interest rate.

I will agree that in many instances the consumer is NOT shown the correct information and something needs to be done about it. We all know not every consumer will shop for their loan so they need to be protected and my example above would produce the results you are looking to obtain. The noble effort is based on giving the consumer all their options while NOT limiting their choices.

I would be happy to discuss these ideas at your earliest convenience.

Barry Sturner
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