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Subject: Reg Z - Truth in Lending

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Comments:

Date: Nov 12, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages  
Document ID: R-1366  
Document Version: 1  
Release Date: 07/23/2009  
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Comments:

I am concerned by the misguided suggestion to eliminate Yield Spread Premium (YSP). YSP is a critical aspect of loan origination because it provides the consumer with an option on how they would like their mortgage set up. I have a perfect example with some clients currently. They would like to use their YSP to pay for my fee (always 1%... not more). By choosing .25% higher mortgage rate they will decrease their closing costs significantly. The time required to recoup their savings is 65 months... it would be foolish for them to have not used the YSP to reduce closing costs! If they were not allowed to do so they would have been forced to waste a lot of money in an already tough economic time. This is not to say that some "bad egg" mortgage brokers don't abuse YSP. But the solution is not to eliminate a useful consumer option for everyone. A better solution is actually already implemented and beginning to be enforced. There are regulations regarding "high cost loans" that look at the total cost of a loan, including YSP, and set a maximum on it. This allows the broker the flexibility of creating a mortgage that matches the consumer's needs while at the same time protecting the consumer from the few dishonest brokers who would otherwise try to charge extraordinary fees. Thanks for taking the time to consider my comment.