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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:

YSP has been the livelihood of brokers like us who have truly delivered service with integrity for many years. Implementing a regulatory change that impacts it adversely is not only going to put us out of business but it is going to be a disservice to a large population of consumers who rely on us as an intermediary. They find the big banks intimidating and view the services rendered by their loan officers' to be sub-par compared to the knowledge and expertise of the brokers. In fact recently one customer whose loan I closed with Bank of America had gone to the same bank directly only to be told in matter of minutes that she did not qualify. It if had not been for our expertise and perseverance this transaction would not have closed. We founded our small business in Feb. 2008 at a time when many shops, including our previous mortgage company, were closing down. We have been successful in this tough market because of the sincerity with which we approach each transaction. More than 90%
of our revenue is generated from YSP between the range of 1 and 2% per loan with no broker fee or discount points. This falls way below the thresholds as established by the Predatory Lending regulations. For years regulators have closed their eyes to heavy consumer abuse which was inherent in the programs offered by the big lenders. These were the products (e.g. Option ARMS) that made higher YSPs possible with prepayment penalty options. There were also products with very high margins on 2 and 3 year Adjustable Rate Mortgages with no caps. These were the loans that had disaster written all over them and yet they sold as A-paper on the Wall Street. Today all these creative products are gone and also gone are the lenders that offered them. Additionally, enough regulations are now in effect to ensure proper disclosure should any of these products resurface. Any element of YSP abuse that remains, via multitude of rate options, can easily be corrected by following the model of Hudson City Savings Bank of Paramus New Jersey - a well known lender that has emerged as a big winner in this crisis. They have accepted no TARP money and yet show

record profits. We have had the pleasure of doing business with them for more than ten years and their approach is exemplary. They offer a flat premium (which is not called YSP) on all their products with a standard 90 days lock. While their model is best suited to a portfolio lender, an adaptation is quite possible. A similar model together with transparency of the YSP percentage from day one (which seems to be happening well with the new RESPA rule) can go a long way to eliminate the abuse. Overregulation in current times can easily make the crisis a lot worse. The urgent need of the day is for a clear understanding of the role of YSP that makes it possible to reduce closing costs for consumers and generate reasonable revenue for mortgage brokers who provide honest service to those consumers. The regulations already in place require a lot more from a mortgage broker (via the S.A.F.E act) and ensure more transparency to the consumer (via the new RESPA rule). Anything more will not only make matters worse for both, brokers and consumers, but will also adversely affect the economic recovery process.