From: Scott Shinn

Subject: Reg Z - Truth in Lending

Comments:

Date: Sep 22, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
Document ID: R-1366
Document Version: 1
Release Date: 07/23/2009
Name: Scott Shinn
Affiliation:
Category of Affiliation:
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:
My wife and I have owned and operated a small but very productive mortgage brokerage in Cary, NC since I retired from the U.S. Marine Corps in 2001. We have followed the YSP debate closely but have been of the opinion in recent months that market forces have been the catalyst for change that were requisite to protect consumers. So I am somewhat alarmed at the recommendations put forth in this bill to restrict consumer choice by eliminating YSP. With regard to my assertion that the downside of YSP has been drastically reduced if not purged completely, allow me to elaborate. There seems to be some confusion between the sub-prime lending practice of utilizing YSP as a means to "heap on fees and broaden profit margins" and the legitimate practice within conforming and government lending of using YSP to offer borrowers a wider range of options. For example, every day I post interest rates to my company website and within each of the main product offerings I provide five (5) rates for consumers to choose from. My profit on a loan is fixed so I don"t make a penny more if the borrower chooses a higher rate with lower points or vice versa. But the consumer gets the option of choosing the rate/points that are consistent with their needs. They can choose the lower rate and higher fees which might be appropriate for someone who plans to remain in their home long-term, or they can choose one of the higher rates and lower fees, possibly even a credit back toward their closing costs, if that scenario more closely meets their needs.

Take a look at this spreadsheet that I also post daily on my interest rates page: w w w . carolinaslending.com/xsites/mortgage/carolinaslendingsourceinc/content/uploadedf iles/rate_update.xls. Note the "Recoup Period - Mos" row. This number indicates to the borrower how many months it will take to recoup the higher costs if they choose one of the lower rate options. When borrowers use tools like this they are in the driver"s seat and are able to exercise the widest range of consumer choice. Without YSP there would be one option...take it or

leave it. YSP has received much criticism in recent years, but with the regulatory tightening of late coupled with the eradication of the sub-prime mortgage market, YSP is not, and in this extremely competitive marketplace cannot be used as a means of piling on fees. My recommendation would be to keep YSP, but if there need to be a change, make it as such: The mortgage broker discloses their total profit on the mortgage and that profit remains consistent across the entire range of interest rates and any YSP overage must be credited to the borrower to cover closing costs/pre-paids. A rate whereby the total credit is larger than the amount of the closing costs/pre-paids would not be allowable. My method for applying YSP I believe is in line with the majority of professional mortgage brokers today and in no way puts the consumer at risk. Instead, the consumer is empowered to make informed choices that best meet their financial objectives. I am willing to comment further or provide additional information if requested.