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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Home-Equity Lines of Credit (HELOC)
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As a mortgage broker I am here to serve the interests of my borrower, so I don't mind a law that prohibits loan originators from being incentivized by lenders to offer products that are against borrowers' interests. However, rather than protecting consumers the language in this proposal will have the practical effect of targeting only the mortgage brokerage industry and making loans more profitable for lenders. Today, the broker's direct and indirect compensation is always disclosed to the borrower. Lender compensation is NOT disclosed. Mortgage brokers will be limited in what they can earn in Yield Spread Premium (YSP) but the secondary marketer will be able to sell this loan for a higher than normal return because of the artificially high rate under which it was originated. Steering typically involves unsophisticated borrowers who in most instances are not aware that they may very well qualify for better loan terms. These borrowers are most vulnerable to being placed in a high cost loan programs and may need the protection that legislation can afford them. However, with the elimination of sub-prime loans, what really can be reasonably defined as a high cost loan program these days? Most of my clients prefer to have their loans without any front end origination fees or points. My compensation usually comes exclusively from YSP, which benefits my clients. How does it benefit them? It reduces the amount of cash needed at closing. With home values continuing to decline, and more and more consumers being strapped for cash, coming to closing with several thousand dollars cash can be pretty hard. Cash is king for most of us in this recession and having the option to pay loan fees via YSP often makes or breaks a borrower's ability to comfortably close on a loan. As a consumer, it is extremely easy to shop and compare rates and mortgage loan costs via the internet. A potential borrower can obtain three detailed Good Faith Estimates (GFE) within a couple of hours. Of course each GFE from a licensed mortgage broker would clearly disclose the YSP, if any. The same is not true if a borrower went down to the local bank branch and filled out a loan application. That loan would have a higher rate than a

mortgage broker could provide, and it likely wouldn't be the best or most competitive loan program. Furthermore the bank will keep the YSP completely hidden from the consumer! In closing this proposal simply reduces competition and will increase costs that consumers pay for mortgage loans. I am all for full disclosure, which brokers are already required to do, however limiting YSP will further reduce a brokers effectiveness in serving a borrowers cash needs. In addition it will reduce lender competition and increase costs the consumer.