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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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Please review the long term impacts of the passage of R-1366. Yield spread premium is NOT a tool to enable brokers to "make more money by selling a higher interest rate loan", but a tool to enable the borrower to choose what structure of the mortgage financing is going to fit their needs best. If a consumer plans to own a home for a shorter period of time, it only makes sense for them to eliminate some of their up-front expenses (which can be paid by the originator out of the YSP instead of by the client). If YSP were to be eliminated, all clients would have to pay ALL of their expenses up front, thus forcing some consumers to pay MORE money for the financing of their home. An experienced and well trained loan officer will walk a borrower through multiple options and help the client choose what makes the most sense for their needs. Take this example of two consumers with very different needs. Two people need to buy new cars. Person 'A' drives 100 miles a day to and from work. Person 'B' takes public transportation most of the time, but needs a car for very occasional or emergency use. Person 'A' should obviously choose a gas electric hybrid car, even if the premium to purchase it were to be \$5,000 more than a comparable gas-only vehicle. This is because over time, person 'A' will recoup the additional premium spent on the vehicle in the gas money they would save, and would likely save even MORE money over the long term; a good choice for person 'A'. Person 'B' should reasonably avoid paying the extra \$5,000 for a hybrid, as their gas consumption savings would likely be dwarfed by the added expense of such a vehicle. R-1366 is like forcing person 'B' to spend that extra money on a hybrid car despite the fact that it is not financially in their best interest. R-1366 will eliminate the consumers' ability to choose the strategy that best fits their personal needs. Granted this analogy may have environmental implications, a consumer's decision on mortgage financing structures does not. Government involvement in mortgage financing should seek to provide nationwide licensing and educational standards for loan originators as well as reasonable amounts of consumer protection, not

for price or market manipulation. You have to be licensed to drive a car, but you don't need to be licensed to originate a \$400,000 mortgage???