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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
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Comments:
If YSP is can''t be used by brokers or Loan originators, then who will set the rate? YSP is used to determine the market Par Rate, if their is no YSP , then who decides what the interest rate is going to be on any given loan? It sounds like the only one to profit in that situation is the large bank that pools these loans and earns the Service Release Premium. Are you going to require the banks to disclose this profit to the consumer at application? The SRP is know at that time. So, why is that not disclosed to the consumer? All of this new regulation has not protected the consumer or made our banking system any stronger. It has put most of the small brokers out of business, and has left us with a hand full of banks that control the entire market. You have made financial institutions "to big to fail" twice as big. The entire mortgage market is now down to Bank of America, Chase, Wells Fargo and Citi. How does this help protect the consumer or anyone in America. YSP allows mortgage originators to make an income, without having to pass the cost onto the consumer at the closing. If the originator charges too high of a rate then the consumer will go somewhere else to get a loan. That is how the market works. This is the same with any business were products are sold. Example: Cars,groceries,clothes I did not realize it was the governments job to make sure everyone got the very best deal on everything they bought. Mortgage originators sell money, and the only way that we can increase the price, to make a profit is thru YSP or by charging more up front to the consumer. The job of originating a loan and getting it to close is not a $5 an hour job. If you try and calculate the man hours spent on the loans an originator spends on a loan to get it closed, it would appear as that the originator is doing very well.For every loan you get closed, their are three that you worked on that did not, close. The processor and the underwriter that spent time working on those files still have to be paid. So, for originators to beable to earn a living, they will need to be able to make money from originating a loan. Which is going to lead to higher closing costs to the consumer. Also, by eliminating YSP,

loans options will disappear. Think about it, if a riskier loan pays the same as a less risky loan to originate, then why would banks offer the riskier loans? You might say because they would charge a higher rate for the riskier loan. But that would be rewarding the bank for dealing with a more riskier loan, and could it not be said that the bank could also steer its customers to the riskier loans, by setting the standards for the less risky loans such that almost no one would qualify for those loans, and the consumer would be left with the higher rate loan. So, if YSP is gone, then only a hand full of banks would be making the decisions on what will be charged as far as Rates. And the consumer would loose. I read some of the studies that you performed, that said that a small percentage of consumers used the "no Closing Cost" option by paying a higher rate for lower upfront costs. I would disagree. Every loan that closes is typically at a higher rate to avoid more upfront closing costs. Without YSP, every loan will have more upfront closing costs but not necessarily a lower rate. Their is cost in originating a loan that has to be paid. The underwriter, processor, originator, and the company that employees all these people. If you think that all these people can get paid via without having YSP or increasing closing costs to the consumer , then I would love to hear what you have to propose.