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Subject: Reg Z - Truth in Lending

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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:

I have been a mortgage broker since 1993 and have seen quite a few changes in the mortgage lending industry; however, these latest rounds of proposals are aimed at individuals who are no longer in the industry. The individuals who put their own interests ahead of their customers by charging two points up front and received two points in YSP as compensation for negative amortization loans with prepayment penalties are no longer in the industry. The consumer is smart enough to know when they have been taken advantage of and not give them anymore business. And let's put the blame where it really belongs . on the lenders that offered these products in the first place. These lenders were not keeping this product in their own portfolio; instead they were selling on a secondary market. What I like to call "pass the trash" mentality. Also, what about the credit rating companies who rated these loans at AAA? The blame should be spread around the whole industry, not just the mortgage brokers who are left in a very competitive and conservative environment. Eliminating YSP (yield spread premiums) would limit the consumers' choices. The consumer would no longer have the choice to both pay points and fees or pay a higher interest rate and have some, or all of their fees paid by the YSP. There are several reasons to maintain an YSP, especially in the current environment. First of all HVCC (home valuation code of conduct) has severely reduced appraised values in some areas by having appraisers receive their business from lenders instead of brokers/consumers. This has created an environment where a potential borrower does not have enough equity to pay points and fees, but enough to do a no cost loan which can only be accommodated by an YSP. Also, Fannie Mae and Freddie Mac have implemented additional fees for poor FICO; as much as three additional points (a point is 1% of the loan amount). An YSP can be used to reduce these fees and help the consumer by giving them choices. Essentially, this proposal is saying that everyone should like their coffee black with no option for cream, sugar, sweet-n-low, etc. Also, this coffee should be luke warm and not hot because we don't want anyone

to get burned. I would say that the industry as a whole has suffered from the mistakes of the past and the quality of current pool of loans is the best that I have every seen. The current underwriting standards are what they were twenty years ago for jumbo loans and the amount of verification of credit data is extremely high. I do believe that disclosure to the consumer of the terms of the loan is extremely important; however, eliminating the YSP will only take away choices for the consumer and ultimately increase their cost to obtain financing.