From: Robert Riforgiate

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Ladies and Gentlemen of the Federal Reserve: Regarding the elimination of "Yield Spread Premium" as a means to pay Loan Originators, this rules change will have the exact OPPOSITE effect of your stated intention: protecting the consumer. Yield Spread Premium (YSP) is a means for small companies to compete with the huge banks. If the ability for banks to pay brokers for loans goes away, the effect will be to drive still more business to those "too big to fail" banks that the Treasury Department and the Federal Reserve have been forced to keep afloat for the past year and a half. The consumer today has a plethora of available information allowing him/her to shop for rates, fees, and service. S/he certainly has the ability to review the rates & fees s/he is being charged to be certain s/he is not being overcharged. Therefore the final rates, including YSP, are generally similar to the rates being charged by the big banks, if not lower. The big banks do not pay their people with YSP, however. They KEEP that money as profit and pay it to the Executives in multi-million dollar bonuses. Did you know? The worst abusers during the housing bubble were banks, not brokers. Countrywide and Washington Mutual were among the worst. They have been eliminated but the damage they did was severe. And it seems that FDIC and the Fed are still learning just how much damage was done by just those two now-defunct entities. I see a great deal of talk in the papers about capping banks'' Executive Compensation, yet with this change the Federal Reserve would unintentionally reward the very same companies and their Executives with more business and higher profits. How does this make any sense at all? The Sherman Anti-Trust Act was the first of many laws passed by our Congress to prevent the concentration of wealth and power into the hands of the few. Our economic system is based upon competition, but this rule is blatantly anti-competitive. Anyone who has played "Monopoly" knows the way to charge more for something is to control all of it. Boardwalk is $50 rent if you own it alone and is $2000 with a hotel, however you have to control both blue spaces to build that hotel. The same principle applies to the mortgage

business. By driving out the small players, in the long run the big banks will be able to significantly raise prices for the consumers. The President and the Congress talk a great deal about jobs. YSP allows more jobs in the mortgage business, because it allows small companies and entrepreneurs to compete with the massive banks. Without it, the big banks will have a major competitive advantage over the little guys. This rule change would eliminate jobs, when unemployment is already approaching double digits. This makes no sense. Please rethink this misguided, anti-competitive rule change. It will only harm the very people the Federal Reserve is enjoined to protect: the American taxpayer and the American consumer. It will reduce competition, eliminate jobs, and reward the same Wall Street big boys that got us all into this economic mess.
Thank you.