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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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Regarding Regulation Z - Truth in Lending - Closed-end Mortgages [R-1366]. Having been a borrower as well as in the mortgage industry on both the broker and banking sides I know that the non-disclosure of SRP, on the part of banks, is more likely to lead to higher rates and higher cost loans for a consumer (because they can hide their greed and mark-up) then a fully disclosed yield spread will. By doing away with YSP you will eliminate the competitive nature of our industry put thousands of small business owners out of business or at least struggling to survive and tens of thousands of honest, professional mortgage originators will be added to the unemployment numbers. Yes, there will be those who will adapt and survive but at a cost to the very person you think you are protecting, the borrower. As an example; by doing away with YSP 1)an originator will be vastly limited on what products they can offer (some limit origination) and so the consumer may not truly get the best program for their particular needs and 2)an originator will have to charge a couple origination points to be fairly compensated for their time and effort which means more closing costs for the consumer (side note: Realtors typically charge 6% per transaction, 1-2% to an originator pales in comparison). According to the National Association of Realtors, most homeowners live in their home under 6 years. According to other resources, most homeowners conduct a mortgage transaction ever 2.8 years. That means for 50%+ of the nation, paying origination points is going to cost them more then paying a slightly higher rate so that the originator can earn YSP. Simplified Example $200,000 loan, 30 year fixed product, 1 origination ($2000)vs No origination (1 YSP) #1 5.5 rate w/ no origination (because of 1 YSP)= $1136/mo payment #2 5.25 rate w/ 1 origination (because of no YSP)= $1116/mo payment That''s a $20/mo difference x 12 months x 5 years = $1200 more paid by #1 BUT they didn''t pay $2000 in origination. #1 saved $800 over the 5 year period because they took a slightly higher rate and allowed the originator to be compensated by the bank verses through an origination fee. YSP is a better deal!!! Finally, there are

several loan programs and states that also limit how much you can charge in closing costs, which means that if YSP is done away with then those states and/or loan programs become undoable for brokers and now the consumer is stuck with their local bank or a big bank, who doesn''t have to disclose what is being earned on the back of the loan (SRP) and can increase their rates, etc... without the consumer being educated. This will in turn mean the consumer will get charged more and NOT get as good a program. Brokers historically provide a better, less expensive, more customer oriented service then any bank. This will no longer be the case if YSP is done away with. Please consider both the tens of thousands of mortgage professionals and the millions of home owners that this proposal will negatively impact and eliminate this proposal.