From: HomeFirst Mortgage Corp., Ron Tomasch

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Name: Ron Tomasch
Affiliation: HomeFirst Mortgage Corp
Category of Affiliation: Other
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:
Elimination of Broker fees based on interest rates would eliminate competition between brokers and bankers (ie. eliminating Yield spread premium (YSP)), and would require brokers to charge clients a larger fee then now occurs. Many times, we can refinance clients to a lower rate and uses the YSP to help pay for the cost of refinancing. This option would be eliminated. Also, clients who don"t intend to keep their home for more then a few more years would have to pay much higher effective rate then they now have. Choice of which is better a slighter higher rate with low closing cost or a lower rate with higher closing cost would stop being an option. Many brokers provide the service of offering bank loan from banks, which are not in the client's neighborhood. Eliminating this option would give local banks the ability to exploit the public, as this will keep brokers from effectively competing for local business. If I must charge the customer for my services directly, many customer short on cash will have no choice but to take higher rates from the local bank who can minimize settlement fees but charge much higher rates. The current system acts as a check and balance, giving customer the right to choose between lower rates or lower closing cost. This choice is effectively being eliminated. Many brokers have gone out of business over the last year or two. Those who are still viable will be seriously threaten by this change. Current disclosure gives the client all information to make good decisions on what type of loan is good for them. This law will take the competition out of the market. Of the 100 or so loan I have done in the last few years, almost none were done where the client was forced to pay upfront points. Main reason is that client knows that the average payback to cover one point is typically 3-5 years. It make no sense to force clients to pay points to cover long term paybacks. The end results, is clients will stop shopping for lower rates, and be stuck with higher interest rates rather then attempt to refinance for lower rates. Paybacks are long enough, by adding points we will extend it even further.