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Subject: Reg Z - Truth in Lending

Comments:

Public Comments on Truth in Lending:========

Title: Truth in Lending
FR Document Number: E9-18119
Legacy Document ID:
RIN: null
Publish Date: Wed Aug 26 00:00:00 EDT 2009
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As an executive with experience at both a wholesale creditor (originators are brokers) and a retail mortgage bank (originators are employed loan officers) I am happy to see that this regulation is aimed at all players in the industry. I believe it is necessary that any regulation apply equally to both the bankers and brokers or there is risk of eliminating a portion of the industry. However, this ruling does have a major fault.[br][br]Controlling steering to risky products is vital but it should not be done at the expense of eliminating yield spread premium ("YSP") based on note terms (i.e. interest rate). The ruling comments that it is believed the benefit outweighs the cost but there has been a large oversight. Year to date over 70% of the loans my company funded had some form of YSP. The biggest problem is that this ruling essentially inflates the cash to close requirement. Many borrowers choose FHA or VA financing because they can only afford the minimum down payment of 3.5% and 0% respectfully. By eliminating the 1 or 2% of YSP the borrower would then be charged an equivalent origination fee. This increases the cash to close requirement by 28 to 57% for FHA borrowers. Cash these borrowers do not have.[br][br]

Further, the entire concept of restricting compensation is anti-competitive in nature. No longer will each creditor be able to offer different product/pricing models to generate business. Instead every creditor in the industry will be forced to offer the same product with the same compensation model. This will eliminate innovation and the creation of new mortgage products.[br][br]Most important, by eliminating YSP Fannie Mae will no longer offer mortgage backed securities (?MBS?) at coupons above par. Since originators will not be selling products with a YSP then all notes will essentially fall in to the same par coupon. Investors looking for a rate of return above the par rate will no longer be able to invest in safe high yielding MBS bonds.