

From: Rob Burgan  
Subject: Reg Z - Truth in Lending

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Comments:

RE:Regulation Z; Docket No. R-1366

I have to say I really see no benefit to a consumer here. In addition there is a large list of industries that are paid commissions on their sales. Originating a mortgage and taking it through the process to making sure it has funded, is not something that should be compensated with set fees or hourly wages. There are times that mortgage files take after hours work, driving all over town, late night meetings, and additional expenses that are paid up front. From driving to courthouses, paying for copies of recorded documents, tolls, parking, Condo association fees to complete docs, and/or paying for copies of documents. etc.

As a mortgage professional we determine that typically a 1% origination fee is the charge to the consumer for covering our expenses and work for the file. We are required to be licensed, do continuing education, have E and O insurance, and a surety bond. All of these expenses are over \$1,000 per year. On average a loan originator makes about .5% of origination fees.

Or in my case I receive a small base salary, plus additional bonuses on volume of loans originated. I have over 15 years experience, and am making less than \$50,000 a year working my tail off.

Yield Spread Premium has helped me get by. I typically offer my clients a rate based upon a 1.0 % YSP. The solution is disclosure of YSP and Options to the client.

Solution:

Why not just make it mandatory nationwide to a mortgage company or bank to provide a borrower with an option to see what the rate is based upon the YSP the mortgage company is earning.

For example, mortgage company A wants to make a 2% YSP. And is charging a 1% YSP. The rate is 5.500% But at a 5.375% the YSP goes to 1.625% and the mortgage company may want to charge 1.375% in origination. at 5.25 the YSP goes to .875% and now the mortgage company wants to charge 2.125% Origination.

The client may seek an alternative lender who may only seek the YSP of 1% and a origination fee of 1%.

This provides the client with the real data they need to determine if mortgage company A may be too "Greedy" for their transaction.

As a mortgage professional I have never been one to try and hide YSP from clients. I believe that if they want excellent service, and an aggressive rate, and want to work with a knowledgeable professional, than they may be Okay with paying a bit more for their loan transaction than say a less experienced mortgage professional. In this day even the easiest of mortgages have become burdensome to get through underwriting and to the closing table.

I have heard terrible stories, and eyewitnessed some very shady mortgage practices, I'd fully support eliminating this from our industry. But this proposed piece of legislation will most certainly put me at an income below what is needed to provide for my family, and I would be forced into another career path. And I have to say I think of myself as one of the good honest ethical guys in our state!

Seriously, by putting my above mentioned solution into affect I really see that helping out our industry, as it would be pretty hard for the unethical greedy ones to try and show a client how they plan on making so much money of their file. Right now, I think that is the biggest problem- Unethical mortgage officers taking advantage of consumers.

Banks are just as guilty as they can only offer a client the bank rate, but the bank receives their service release premiums in lieu of YSP- in the end it's the same thing. Banks receive their compensation just like brokers do. If you have ever seen a rate sheet from a Bank you'll notice that they have a variety of programs and rates based upon how high the banker can sell a rate to a client. This is how Bankers earn their bonus. If a banker sells \$1,000,000 in mortgages they receive a bonus. That bonus is based upon the SRP the bank receives.

Please do not hesitate to contact me if you wish to discuss any of this information with me personally. Thanks for your time, and I do hope that the legislative body can come up with an equitable solution.