

From: StarQual Mortgage, LLC, Michael Tomanelli
Subject: Reg Z - Truth in Lending

Comments:

To whom it may concern:

In your honest efforts to protect the consumer you may see past the benefit that a broker supplies to his/her customer. I strongly suggest that the elimination of yield spread could hurt the ability of a customer to qualify for a refinance. In these difficult times in the industry eliminating an option for the consumer to use for qualification in the name of protection is counter productive. Currently, Yield Spread can be used to reduce the upfront cost to close. If I charge a customer 1 point but run into an equity issue do to value (which is very common these days) I currently have the ability to reduce this upfront cost by selling a slightly higher rate to absorb this point and hopefully eliminate a loan that is over an 80% loan to value. If you eliminate YSP I would need to sell the consumer a less attractive loan do to the loan to value restrictions - any loan over 80% then would require mortgage insurance (an additional cost to the consumer). Also, if large banks are not having there secondary market revenue monitored limiting Broker Yield Spread would be a futile effort to protect the consumer because large lenders are selling higher rates for secondary market execution.

I am all for full disclosure - currently the Mortgage Broker Fee Agreement signed by the consumer fully discloses the full cost of the loan (including YSP). I would also support a maximum all in cost for points/YSP. For example the most the broker can earn between upfront cost and ysp is equal to 3% of loan amount.

I appreciate your efforts and hope you understand many good brokers are working very hard to help the consumer. I consider StarQual one of them.

Thank you,

Michael N. Tomanelli
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