From: Ethan Brizzi

Subject: Reg Z - Truth in Lending

Comments:

Gentleman,

As a loan originator and broker, I am starting to feel singled out as the primary source of all of the economic issues that the world is experiencing today! Regulation Z recommends that Yield Spread Premium be removed from the wholesale line lender to broker relationship. While I personally know of a few loan officers and "trusted advisors" that have taken advantage of their clients and increased their rates in order to make additional $$$, I have to ask a few questions and make a few observations.

Firstly, is an increase in rate responsible for a foreclosure? Let's do the math on a scenario: $100,000 loan, 30 year fixed, premium client with AAA credit and income, less than 80% Loan to Value. Par pricing - the base cost rate from a wholesale lender with no additional cost to the client- is 5% and the loan officer proposes a rate of 6% to the client in order to make a 3% YSP. The P&I payment for a 5% rate is $536.82, and the P&I payment for a 6% rate is $599.55, a monstrous difference of $62.73 a month. This is taking into consideration that the loan originator is leading their clients blindly toward a 1% rate increase with no questions asked!!! Would this scenario create a foreclosure? Possibly, but I sincerely doubt it.

Secondly, at what point is the client responsible to read what is given to them? YSP has to be fully disclosed, several times over, and with full disclosure comes a shift in responsibility from the loan originator to the client. Is removal of YSP, mandated by the Federal Government, necessary to protect the client from not using their God-given faculties? I say that it is not.

Thirdly, where does this regulation stop? Thomas Jefferson, a man that needs no introduction to you, gentleman, made this statement: "A wise and frugal government, which shall leave men free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned - this is the sum of good government".

Is the regulation of the commissions that a Realtor receives for a real estate transaction going to be the next step? If not, it begs the question: Why should a Realtor get 3% of a purchase transaction when a loan originator gets 1% of the loan on the transaction? It should be fair, right? Everyone on the same playing field? Will the auto finance industry be scrutinized? Is the YSP received by the finance managers of auto dealerships by the auto finance lenders the source of all of the repossessions that we are seeing right now? Where would it stop?

Fourth, why are major banks, with retail departments, not under the same scrutiny? You can label the compensation from the increase of the rates whatever you want: YSP, SRP, you name it, but they all increase the rate to the client for compensation. Often times, SRP is MUCH higher than YSP offered, and that is because the banks can charge it and never disclose it. Something to consider, gentleman, wouldn't you say?

In conclusion, I am not against full disclosure and, as a matter of fact, I am all for it! I believe in the education of the consumer ON ALL FRONTS, so that clients have the knowledge to make decisions for themselves. As I stated earlier, full disclosure places the burden of responsibility on the client, exactly where it should fall; my objection is that this is not about loan originators overcharging clients, but that it is a slippery slope that will destroy the fabric of our "capitalist" economy (which is already on the brink of disaster), and will lead us into a socialist state, thereby destroying this great country of ours! I am a proud American, gentleman, and wish for nothing more than to see her return to a great nation; this quote has been often attributed to Alexis de Tocqueville, but I am not sure that it is his : " America will cease to be great when America ceases to be good". I urge you to rethink this regulation!!

"It"s a Good Life!"

Ethan Brizzi, C.M.P.S.