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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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I have no problem with new Truth In Lending requirements and including other fees as part of the Annual Percentage Rate. I do have a problem with other proposed changes, though. For example, the elimination of yield spread premium (YSP) will have a huge adverse effect on consumers. Not all mortgage brokers use the YSP to line their pockets with extra cash. The existence of the YSP allows us to offer "no closing cost" loans to the public. On these types of loans, the closing costs sill exist, but the broker uses all or part of the YSP to pay for them. People with very little equity on a refinance transaction can use the YSP to cover their costs, or in the event of a purchase, the YSP can be used to cover the closing costs if they only have enough for the down payment. Additionally, mortgage bankers, instead of mortgage brokers, still get paid a premium on the interest rate. The only difference is that when you are a mortgage banker, the YSP is called SRP, meaning "service release premium". How is it fair that YSP can be outlawed but not SRP? Not only that, but a consumer has every right to shop around for the best deal. Why shouldnt a bank pay the originator a premium for a higher interest rate? They will be collecting thousands of more dollars over the life of the loan, than they would have at a lower rate. The politicians that vote on these changes do not live in the real world. I bet not a single one of them has ever worked in the mortgage industry. If YSP is eliminated, every mortgage broker in America will be forced out of business and only the mortgage "bankers" will be allowed to originate loans. No amount of legislation is ever going to completely eliminate fraud. There are always going to be some bad apples. Please do not enact laws designed to punish the small amount of fraudsters, when a huge majority of mortgage originators are honest, ethical people. I am all for any kind of new disclosure that explains to the borrowers the risks involved in
ARM''s, and clarifies the costs involved, but the Good Faith Estimate (GFE) and the Truth In Lending Disclosure(TIL), as they curently exist, already do that.
The TIL already shows the borrower what the maximum his payment can go to after

the initial rate expires, in the case of an adjustable rate. Believe it or not, Adjustable Rate Mortgages (ARMs)are a viable option for many borrowers. A 30 year fixed rate mortgage can sometimes be the most expensive option available to homeowners, yet it gets praised in the media as the only safe option. Compare the interest rates on a variety of mortgage options, and you will see that the 30 year fixed rate loan has the highest interest rate of all the available loan options. Yet this is the one that everyone in the media says is the smartest choice! For who? Maybe for the bank that is collecting the interest! The elimination of the Yield Spread Premium to mortgage brokers will eliminate many options that are curently available to consumers. If you want to improve the quality of the mortgage business, perhaps you should consider very strict licensing standards for mortgage originators, with sever penalties (like loss of license) for those who defraud the public.