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Comments:

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This is in regards to E." Prohibitions on payments to loan originators and steering." The discussion addresses the issue of yield spread premiums being paid to originators having the potential to steer consumers toward riskier loans with higher rates, adjustable rates or to loans with prepayment penalties. First, there are no loan programs currently available that require a prepayment penalty. The loan program where a prepayment penalty allowed for a greater yield spread has not existed for nearly two years. There are simply no loan programs available where a yield spread premium paid to an originator has any correlation to a riskier loan. Yield spread premiums simply facilitate the opportunity for a consumer to purchase a home and pay a slightly higher rate in exchange for a significant reduction in closing costs. Eliminating yield spread premiums will reduce the number of borrowers who can afford a home by an unfathomable number. Any recovery the housing industry is beginning to see would be wiped out overnight if consumers were forced to pay the cost of loan origination in cash versus a payment of a few dollars more per month. If this proposed rule passes it will have a negative effect on the recovery of our economy and specifically on the housing industry and homeownership. Yield spread premiums are well understood by today's consumer with the many disclosures they sign.