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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages

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Comments:

This proposal which will eliminate or limit the yield spread premiums paid to mortgage brokers will severely restrict the consumer's ability to shop competitively for a mortgage in terms of rate and associated fees. Mortgage brokers add value to the consumer because in order to consistently provide a lower rate to customers than a bank, they only need to keep their overhead costs lower than the corresponding bank originator costs. These reduced costs can be passed onto the consumer in the form of a lower rate and fees - directly lowering the APR. As an example of my point above, today 12/18/2009, one of the three largest banks in the country is quoting on their retail website a rate on a 30 year fixed FHA loan of 5.000% with 1 point in origination fees for an APR of 5.717%. Using today's wholesale rate sheet from the exact same bank, I can quote the consumer the exact same 30 year fixed FHA loan of 5.000% with 0 points in origination fees for an APR of 5.566%. That is a significant savings to the consumer which only arises because our costs to originate this loan as a broker are lower than this bank, which happened to be a recipient of TARP funds, is willing to accept as a retail lender. If the Board is sincerely interested in maximizing the consumer's ability to get a loan on the best possible terms, it will not implement this rule as written.