

From: Pacific Residential Mortgage, Timothy M. McBratney  
Subject: Reg Z - Truth in Lending

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Comments:

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

Dear Sirs: I would like to comment on the proposed rule change R-1366. I have been a mortgage broker for nearly 10 years. I have been an originator for 28 years, working for various banks and federally chartered institutions during that time. I have no hesitation in stating that the best deal for my clients is as a mortgage broker. Your proposed rule to eliminate YSP will make the playing field between mortgage bank and mortgage broker even more uneven and will most likely eliminate the mortgage brokerage industry. We play a vital part in serving our clients' needs for mortgage services. We have many more options to offer than a large institution and are, therefore, far more competitive. I left a federally chartered institution because I was not competitive in the marketplace and, therefore, my clients suffered. As a broker, I can shop for my clients and get them a much better deal. Eliminating YSP will eliminate my ability to offer my clients a no-loan-fee option, which over 90% of them opt for. If I am forced to charge my clients a loan origination fee then I will not be able to compete with a bank, who hides their indirect compensation, but gets paid that compensation nonetheless. They will not have to charge that fee. After 28 years as a lender, I must tell you that virtually all of my clients do NOT want to pay that fee. We play a vital part in the marketplace which keeps the large institutions honest and, at least, semi-competitive. If our industry is eliminated, then interest rates will rise to the detriment of the consumer. As a mortgage broker, I am an independent business person. I must market to and attract new clients and I pay for that. I invest nearly \$xxxxxx per year to bring new clients to my company. I therefore, should be able to up-charge at the point of sale to cover my time and costs. Competition keeps the compensation reasonable and rates low so the client is not harmed. Even though we earn (not steal) ysp, our rates are still much lower than federally chartered banks. Eliminating our industry as competitors will only force the consumer to choose the higher, less service oriented alternative and they will be harmed. I will be the first to tell you

that I agree with you that ysp was abused with such loans as Option Arms when some unscrupulous loan officers marked up the margin in order to make as many as 4 points on a loan. I agree that there should be some regulation on those instruments. But the market has already eliminated those products. I do not know of any lender nationwide that is still doing them. I do not know of any lender that is doing loans with balloon payments or pre-payment penalties. I insist, however, that ysp is NOT abused with standard conforming or non-conforming fannie mae, freddie mac, FHA or Federal VA fixed rate or adjustable rate loans. Mortgage brokers fill a need in areas ill served by large federally chartered banks that do not want to invest in brick and mortar to open another branch. Independant mortgage brokers fill that need. Please consider carefully the impact on the elimination of ysp. It has been an acceptable method of compensation for the mortgage brokerage industry for nearly 30 years and is recognized by HUD as a legitimate source of revenue. Thank you