

From: Gary F Linton
Subject: Reg Z - Truth in Lending

Comments:

Date: Dec 11, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
Document ID: R-1366
Document Version: 1
Release Date: 07/23/2009
Name: Gary F Linton
Affiliation:
Category of Affiliation:
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

Having served customers for over 25 years, both as president of a nationally chartered bank and as a licensed mortgage broker, I understand the issues related to this subject from both perspectives. Additionally, I understand this issue from a consumer's perspective. Historically 60% of mortgage customers have used mortgage brokers over banks when pursuing mortgage financing. Along with other reasons, the ability to shop the mortgage product at several lenders at a time is attractive to borrowers. A bank is often limited to their own, in-house products, and thus those products are represented as the best deal available. Many astute borrowers have learned otherwise and have benefitted from using brokers to place their loan with the best lender that meets their individual and specific needs. As far as Yield Spread Premium (YSP) is concerned, banks pay this premium to brokers in lieu of paying their own, in-house loan officers. The cost to produce the loan is usually more cost effective this way. Furthermore, banks often charge up-front fees on mortgage originations and then sell the loans after closing for a premium. In my opinion, this premium is no different than the YSP that might be paid to a broker. The bank prices the loan so as to yield a premium when sold on the market. Hence, the customer does not receive any better pricing by going to a bank over a broker. Also, consumers lose when there are fewer choices. To allow banks to monopolize the mortgage lending industry is to reverse many past legislations to protect consumers from such a business environment. YSP is not singular to the mortgage industry. It is a common incentive paid to auto dealers, mobile home dealers, recreational vehicle dealers, boat dealers and other distributors of large ticket consumer items. To remove this incentive from professional mortgage brokers could be considered a biased action. If YSP is wrong, it is wrong in all facets of lending. YSP is no different than a realtor's commission. Legislating mortgage brokers out of business will result in more Americans being unemployed and on the public

payroll as such. Please consider carefully any action that might endanger our free enterprise system and create a monopoly in mortgage lending. Gary F. Linton