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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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Comments:

PLEASE DO NOT ELIMINATE YIELD SPREAD PREMIUM (YSP) FOR RESIDENTIAL MORTGAGE BORROWERS. MOST BORROWERS ARE AWARE THAT LOAN ORIGINATION FEES (POINTS) ARE NOT TAX DEDUCTIBLE, PER THE IRS CODE, FOR MORTGAGE REFINANCE TRANSACTIONS. THEREFORE, REFINANCE BORROWERS RELY ON YSP TO OBTAIN THE LOWEST INTEREST RATES, AT LITTLE OR NO OUT OF POCKET COST TO BORROWERS. MOST REFINANCE BORROWERS ARE LOWERING THEIR MORTGAGE ANNUAL PERCENTAGE RATE (APR) OR OBTAINING CASH DUE TO AN EMERGENCY. MORTGAGE BROKERS USE YSP TO OBTAIN THE RESOURCES REQUIRED WITHOUT CHARGING UP FRONT CHARGES TO THE BORROWER. IN MOST CASES REFINANCES REDUCE THE APR AND REQUIRED MORTGAGE PAYMENT. WHILE KEEPING THE CURRENT MORTGAGE AMOUNT. CLIENTS ARE ADVISED TO CONTINUE TO SEND THE HIGHER MORTGAGE PAYMENT IN ORDER TO MINIMIZE THE EFFECT OF STARTING THE 30 YEAR TERM OVER. IN ADDITION, BORROWERS ARE AWARE THEY MAY ACHIEVE THEIR ORIGINAL 30 YEAR TERM USING THE HIGHER PAYMENT WITH A REVISED MORTGAGE APR. ELIMINATING YSP WILL RESULT IN LOSS OF COMPETITION BETWEEN LENDERS. MORTGAGE BROKERS ARE THE CHECK AND BALANCE OF RESIDENTIAL MORTGAGE LENDING. IF THE LENDERS HAVE ALL OF THE CARDS, BORROWERS HAVE NO MARKET COMPETITION. LENDERS ARE FREE TO UNFAIRLY (REDLINE) CHARGE FOR CERTAIN AREA, SERVICES, ETC. WITHOUT AN OUTLET FOR THE BORROWER TO OBTAIN THE MORTGAGE ELSEWHERE. ELIMINATING YSP IS NOT THE METHOD TO INCREASE DISCLOSURE REQUIREMENTS AND SECURITY FOR BORROWERS OR BANKERS.

ELIMINATING YSP IS THE WORSE POSSIBLE CHOICE IN OUR CURRENT REGULATORY ENVIRONMENT IF WE WANT TO PROTECT CLIENTS FROM ABUSE.