From: Cobalt Financial Corp., Shan Sheikh

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:
There are many elements of R-1366 (some of which are probably fine), but the primary ones that are of concern to me are the sections regarding: The elimination of YSP YSP does not present a significant risk of economic injury to consumers but rather helps low-income, entry-level borrowers. The assumption that YSP is injurious to consumers has no empirical data to support such claims. The elimination of YSP. No cost loans would be nearly impossible. Borrower closing costs would be dramatically higher, eliminates rate/price flexibility, more opportunity for secondary marketing to increase profits. Many first-time buyers would be eliminated due to high closing costs. Mortgage brokers and the opportunity for competition would be eliminated. Borrower pays up-front points Or lender pays flat fee to originator Reduces options for consumer to choose pricing options. Borrowers are injured by lack of pricing flexibility. Originator would be encouraged to steer loan to lender with higher flat fee.Consumers would be further confused by non disclosed "private" compensation agreements between lenders and originators. Borrowers with small loans would be discriminated against Closing costs to borrowers for small loans would be so high, lenders would be discouraged from lending. Small loan amounts would most likely be eligible for up-front origination points options only. Low income borrowers who can only qualify for small loans would be priced out of the market or severely penalized by high costs. The proposal will stifle competition. The proposal creates conditions that would encourage steering Enforcement of existing anti-steering regulations would be difficult or impossible to enforce. The proposal creates an environment for greater litigation and burden on loan originators. Many brokers/loan originators will cease lending as result of skyrocketing liability. Many banks/mortgage banks will choose to cease participating in third party originations. The proposal does not allow loan originators to reduce his/her compensation, to benefit hard-pressed borrowers. The proposal will damage small business. The proposal

is not feasible or practical in today's market place As market conditions change, the spread between par and "flat fee" pricing increases, causing borrowers to be forced out of flat fee option (rate too high) or pay high up-front fees. Creates environment with too many adverse and unfavorable effects on the industry. It would prevent secondary market from returning to normalcy. Bad originators would work the system while good originators would be driven away. Elimination of competition would eventually lead to monopoly. Brokers will not be able to compensate loan originators on a hourly basis without some certainty of being paid. Tracking hours spent on each loan would be impossible and impractical. Also would hurt consumers who happen to select a slow originator.