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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:

Greetings, These comments are directed to Docket #R-1366, specifically 12 CFR part 226, Section V, subsection e, regarding the use or elimination of yield spread premiums. First, I commend the effort to improve consumer understanding of mortgage loans. I have quite a few opinions on the subject after many years in the real estate and mortgage origination business. I have seen many instances of abuse and worked hard at helping consumers understand choices facing them. Most of the proposal that I have read so far, contains valuable and well meaning change. Educating the public about the issues is, in my opinion, the biggest challenge. In my opinion, the use of yield spread premiums offers more of an opportunity to the consumer to plan their real estate decisions than it hurts those who have not invested the time to read and understand the agreements that they are entering in to. Eliminating the opportunity to pay no "points" for a loan reduces choice and benefits creditors.

When a consumer pays a lower ongoing rate in exchange for paying more costs, including advance interest (points), she/he must keep and use that financing for an extended period of time in order to reap the benefits of the increased costs. The arithmetic is simple, and any educated, qualified, and licensed mortgage originator ought to be able to spell out the "payback" period for a loan with greater costs. Consumers deserve choice. Creditors benefit when consumers pay higher origination costs. Borrowers are less likely to refinance if they have invested more money upfront, which benefits the Bank and/or investor. Losing the option of paying lower costs, including so-called no out of pocket costs loans, impedes the mobility of the homeowner as well. There is another important aspect regarding competition. Mortgage brokers, in general, have more tools with which to help consumers. They typically can offer more choices. Eliminating this level of consumer advocacy would certainly work against the average borrower. Too often, large institutional lenders set internal policies that frustrate the consumer from getting important answers.

Borrowers often believe that an institutions policies, which are self serving, are actually national regulations. Consumers need advocates and advocates need a way to make a living. In this area, competition is a very good method for educating borrowers. I'm in favor of greater regulation and consumer protection. In my opinion, we can accomplish more through mandated education and increased enforcement. Consumers should have a simple venue for asking questions and reporting unscrupulous broker and lender behavior. These are sweeping and complex issues and changes. I would suggest a more thorough review period and a proactive outreach to real estate and mortgage professionals before instituting changes that will affect an entire industry. I am available for further participation. My email is jeff@coast-village.com. Thank you for the opportunity to share my thoughts and opinions. Jeffrey Schlossberg, Broker