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Comments:

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Dear Governors The elimination of yield spread premium "YSP" would be discriminatory against lower income borrowers. YSP allows originators to offer Zero point loans. Without it, all loans would have an origination fee (so that the originator, whether bank or broker, can stay in business. The originator can be a bank or a broker, doesn't matter; both need to get paid for their services. All public banks and brokers are mortgage intermediaries who sell their loans off. When a buyer/borrower is short on cash but has enough income to qualify, we need YSP. Why? Because YSP allows the winning lender, instead of the cash short buyer, to pay the originator a fair compensation for shopping the loan and then choosing and delivering the loan package to the best priced lender in the market. The lender does price the rate up a bit so it has something of value to sell to the (non-consumer) mortgage investors that can generate the compensation for the consumer's mortgage arranger, you know, the person who does most of the work for the borrower. There is no free lunch. Zero points means a slightly higher interest rate. Lower rates are for people who have the money to buy the rate down - although if they are intending to hold a property 4 years or less, the zero point option frequently is the best option for them as well as the cash strapped borrower. Continue to give these people the options to choose the zero point loan! Do not eliminate YSP. Especially since all fees and costs have to be disclosed to consumers up-front as "best guess" on the day the ap is taken (before underwriter approval), then again after discussing rate lock option with the borrower, and then again after the borrower chooses a rate and fees plan to lock in, and then again a few days before the loan docs are available for the borrower's signature. It's not like we are putting something over on them! Keep out economy moving and resist the temptation to regulate YSP and inadvertently hurt qualified, but cash strapped borrowers, and all the other people who CHOOSE to pay a higher rate in order to get a zero fee. Its their choice. Robert Azzarello