

From: Spinner Mortgage, Rita Lo
Subject: Reg Z - Truth in Lending

Comments:

To Whom It May Concern:

Regulation Z is intended to improve disclosures and protect consumers. However, by prohibiting payments to a mortgage broker or loan officer (which usually doesn't include federally chartered bank employees) that are based on the loan's interest rate or other terms will increase costs to the consumer.

1. By eliminating yield spread premium, a flat fee might be a means to an end, but the long term effects will hurt consumers. If a flat fee were to be paid to a mortgage broker (regardless of loan size, interest rate, term, etc.), the fee will seemingly be too high in the eyes of the consumers or not enough in the eyes of the mortgage broker. If being a mortgage broker is not a profitable business, mortgage brokers will leave the business or join a federally chartered bank as an employee at which point competition will decrease, leaving consumers with few options and potentially higher rates and/or fees because of the lack of competition.

2. Without yield spread premium, consumers cannot finance closing costs via the interest rate (which is tax deductible, whereas closing costs are not). Mortgage brokers often times will offer consumers an opportunity to refinance into a rate and/or term that benefits the consumer and all of the closing costs (including escrow, title, notary, etc.) are paid for with yield spread premium. Consumers take advantage of the opportunity to improve their financial situation with no upfront fees out-of-pocket. Without yield spread premium, this option will no longer be available to the consumer. All loans will require borrowers to pay closing costs and deter consumers from lowering the rate at which they are paying interest to banks.

As regulators that can make a difference, please keep in mind that consumers want choices. Competition breeds benefits and consumers are the ones to reap the rewards. Loan officers whether bank employees or independent mortgage brokers all want to make a living and limiting yield spread premium is only reducing the profitability of a mortgage broker.

Sincerely,
Rita Lo

Rita Lo, Mortgage Broker
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