

From: Colonial Mortgage, LLC, Jeff L. Evans
Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Home-Equity Lines of Credit (HELOC)

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Name: Jeff L Evans

Affiliation: Colonial Mortgage, LLC

Category of Affiliation: Other

Address:

City:

State:

Country:

Zip:

PostalCode:

Comments:

I am so confused. I recently submitted a letter to your office addressing your desire to eliminate the Yield Spread Premium, which in itself would greatly hinder the recovery of the housing market in the State of Arkansas as the majority of potential borrowers in our State desire to purchase bank owned properties with as little as the down payment and rely on lender paid contributions through the YSP as the most economic alternative solution to cover closing costs since most financial institutions will not negotiate seller paid contributions for REOs and now I understand you desire to remove interim rate financing options for consumers through R-1366. This in itself is a not only a contradiction in theory, but fundamentally raises the question of what are the qualifications of those whom are actually trying to implement these policies. As previously discussed, it is my understanding that in one breath you want to eliminate the YSP and in the second breath you are now proposing through R-1366 that the consumer would only have the option to pay all closing costs up front or been forced to cover all closing costs in the interest rate. Isn't there a direct correlation between interest rate and the YSP? Wouldn't the latter option under R-1366 be irrelevant if you eliminate the YSP? So I guess for argument sake we need to assume that the initial policy of eliminating the YSP does not exist and that R-1366 is a viable proposal. Unfortunately, with this assumption out of the way, one key component of the policy does not take into consideration simple economics. If a consumer in a State such as Arkansas purchases a typically home for less than \$100,000 there is normally not enough leverage in the interest rate to cover the closing costs as the YSP available typically does not exceed 3%, even with off sheet pricing. Therefore, if your policy is to force consumers whom only have as little as their down payment available to pay all closing costs up front or be required to cover all closing costs in a YSP that typically does not exist, then again the Federal Reserve Board has created policies that greatly hinder the recover of the housing market. Finally, quick question, when will you personally address why a Service Release Premium is acceptable and a Yield Spread Premium which can be used to cover closing costs and is disclosed to the

consumer is not acceptable?