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Comments:

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Hello, I am a mortgage broker and just want to state some information based on my years of experience. I believe this is a well intended change but the results will not benefit the public. Borrower A (a veteran) - This borrower has no cash for a down payment, but that's not needed for a VA loan. The seller has agreed to pay 3% toward closing costs on a $120,000 home. In essence, the seller will pay up to $3600 in closing costs. The closing costs are $4200 on this loan. In this case, I have increased the interest rate by 0.25% and am using the additional YSP to pay for the extra $600 in closing costs. The YSP has been disclosed to the borrower. This is a loan I have in process right now. If these changes are made, I would not be able to serve the borrower in this instance. Another example: I have a borrower who has an interest rate at 6.0%. The borrower is planning to live in the house another 4 or 5 years. This borrower is able to refinance at 4.875% and the closing costs are $6,000. On a refinance the borrower typically rolls the closing costs into the loan, increasing the principle owed. The borrower prefers not to do this. In this instance, I was able to give the borrower three choices: 1. Roll the $6000 into the loan, 2. Come in to close of escrow with the $6000, or 3. I could give them a rate of 5.25% instead of 4.875% and I could pay all the closing costs with the YSP. My commission was unchanged and I disclosed that to him up front. He opted for the slightly higher rate of 5.25% with no closing costs. In this instance he was going to be in the house about 4 years, didn't want to increase his principle, but wanted some monthly relief. If these changes are made, I would not be able to serve the borrower in this instance. Another concern I have is that as things moved to fixed pricing model, the lower loan amounts will have a much higher cost in percentage to close than they currently do. Fixed costs will likely mean lenders take the average loan amount closed by a broker, and pay them based on that average. For higher loan amounts, the borrowers make out well. Say, for example, the lender pays a flat $1500 for a loan. The lender would likely limit the loan amounts they pay on. For

example, if the lender was paying a broker $1500 per loan, that would result in an astronomical rate for a $75,000 loan. The alternative option for this borrower is to pay the points up front and obtain the lower rate. Unfortunately borrowers in this home price range typically don't have points to pay up front.   I believe the solution is disclosure to the borrower and licensing / accountability. Licensing and tracking fallout adds the accountability. If there is anything fixed with respect to compensation, a fixed percentage would be considerably better for the borrower. Say, the lender pays us a flat 1.5% per loan - in this instance we always get 1.5%. We get paid less on smaller loans, more on larger loans, but the borrowers all get the same interest rate. With fixed FEE where they pay us a flat $1500 (or whatever the number is), the borrower's rate would be considerably higher the smaller the loan is... Anthony Lombardo