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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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This proposed Reg Z Truth in Lending R-1366 would eliminate many consumers from being able to afford to get a loan by eliminating the YEILD SPREAD which allows the majority of borrowers to obtain a zero point loan with a .25% higher rate. Additionally at least 1/2 of the borrowers I do business with do not want to pay their closing cost either but instead elect to take a higher rate of an additional .125% point and therefore pay almost no closing cost but do pay a higher rate for the life of the loan, which many borrowers trying to save money prefer. The Majority of Borrowers Buying a home or refinancing their home do not want to pay points on their loan. In California, where I have been in business as an independent Mortgage Broker for the last 14 years, borrowers favor the zero point loan via the .25% higher rate over the life of their loan as stated earlier in this letter. This elimination of the yield spread prevents borrowers from the option of pricing a loan rate up with more yield spread paid to cover origination and part or all of the closing cost or taking the lowest rate possible and actually paying a 1 point origination fee plus their own closing cost. For purpose of example Two teachers I am now working with are trying to buy a home in Gilroy California for \$320,000 dollars with a loan of \$256,000 dollars and are trying to decide with to pay an additional \$2,560.00 dollars in closing cost 1 point origination fee to achieve a rate of 4.75% on a 30 Yr Fix Rate loan with zero yield spread or taking the slightly higher rate of 5% with zero points paid by them resulting in a yield spread to my company of about 1% or 2,560. They are counting every penny of their closing cost and this new law, if passed would eliminate their option to save the 2,560 in closing cost. The difference in monthly payment is only 38.84 per month and they are thinking this \$2,560.00 could be spent on furniture, repairs, appliances, moving or repairs to this resale home. Again the majority of borrowers have moved away from paying points whether they be Origination and or

Discount points at loan closing they like my tow school teacher do the math and see how many months does it take to pay back the points. In the school teachers case it would take over 5 years or 65 months to make back there up front cost which is just too to justify for todays buyer. This law would put maany mortgage borkers out of business and favor banks dramatically decreasing competition in the indurstry. With 60% of todays loans being originated by Mortgage Brokers the fall out this law woud have on Mortgae Brokers woud be dramatic. All you need to do to see how much more competitive the average Mortgage Broker is than one of the 3 Super Banks now left in business is go online and see the published rates these bnaks are offoring. What Bank of America quotes today for .875% point I can do for zero points because of yeild spread I am getting from the wholesale lender which is paying my fee so I dont have to charge the borrower the .875% points BofA is charging. This law would eliminate that competoin becasue it would put me out of business and force bowers to have much fewer choices. With only 3 "Super Banks" left look how fat the banks pricing is now. If this law goes into affect there will be much less competition and you will see all the Banks raise there rates to increase their margins of profit even more making it much more expenseive for the average borower to get a loan. I am very hopeful you will not approve this propoed change to Reg Z and allow the current much more stickly enforcece undewriting guidelings to prove that the current lending of money for residential homes is a healty example of the free market giving consurmerns a wide choich of Lenders and Mortgage Brokers to choos from. I welcome any questions to my comments.

Respectfully submitted,
Brad Shoemaker,
Express Funding Mortgage Company