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Subject: Reg Z - Truth in Lending

Comments:

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To The Federal Reserve Board, I sympathize with what you have been tasked to do in deciding the future changes to Yield Spread Premium, and trying to balance this task with every interested party's needs and desires. There is a very important fact that must be understood - Service Release Premium (SRP) and Yield Spread Premium (YSP) are identical. The bankers will tell you SRP is a secondary market transaction and they do not know how much they are making until the loan is sold. This is not true; when a mortgage banker locks a rate for his borrower he knows within a $100 of what his SRP will be. I applaud the new changes to the GFE/HUD-1 going into effect January 1st, 2010. The new rules make it very clear that all fees and yield spread must be clearly shown at the start of the loan process. Unfortunately, mortgage bankers do not have to disclose the SRP so the bankers will still be able to "hide" their SRP/yield spread while the mortgage brokers will be disclosing everything.
This will hurt borrowers because the mortgage bankers can hide their compensation (SRP) that is compensation for the rate charged to the borrower.
I strongly believe to protect the consumers, mortgage brokers and bankers should have to disclose our yield spread or service release premium (only a difference in name. The Federal Reserve is now proposing to limit yield spread, which will inevitably force the mortgage broker to have to charge origination fee to survive. This drives up the closing costs of a mortgage for the consumer. This not only hurts the consumer by adding fees but will give the mortgage banker an unfair advantage of offering products that we cannot, ie no cost or limited cost loans (Loans without origination).Most of my consumers prefer not to pay origination and that our compensation comes from the yield spread. Limiting consumer choice is not the answer in these troubled economic times. Mortgage brokers have long been the market equalizer to mortgage banks because brokers can offer lower interest rates, lower fees, and faster turn times on loans. I am consistently $1,500 to $4,000 less expensive than

mortgage bankers because I keep my overhead low and do not have a banker I have pay a large cut of my profits. I pass the savings to the consumers. Our average compensation on a loan is about 1.25% of teh loan amount. This is reasonable and I am sure below the industry standard. If I am fordec under the umbrella of a Banker there is no way I can offer my services that inexpensivel. The banker will charge me 30% to 35% for his services (which I really do not need) and then there will be added processing fees and underwriting fees. I estimate I will be forced to charge 2% to 2.5% per loan if I become a banker. By passing the proposed changes to the yield spread, and the unfair advantage this gives the mortgage banker, the mortgage broker will be forced to go to work for a banker which ultimately considerably drives the cost up for consumers. It is a shame to kill my business I have had for seven years and force me to go to work for a bank where I will I have no choice but to give the consumer a much worse deal. If this proposal passes, it should definitely be applied to the mortgage banker's SRP to protect the consumer as well as allow mortgage broker to survive. Thank you.