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Comments:

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I am writing to submit my opposition to the proposed regulation concerning yield spread premium. I am a small business owner and I own a mortgage brokerage firm. I provide a very important and highly valued service to my community and the clients I serve. As a small business, I operate with lower overhead than my large, banking competitors. WITH yield spread premium, I am able to provide the same loan options to my clients as the banks with both lower rates and lower fees. As a matter of fact, because I am a broker and I work with wholesale lenders, I am able to provide far more options for my clients than my banking competitors. The bank can only offer their one loan option, while I can provide options from numerous lenders. Yield spread premium is a critical piece of my business. Without it I would not be able to compete against the big banks nor could I earn a living. My banking competitors earn the same compensation in the form of service release premium. This is treated in the exact same way as yield spread premium, despite what any banking lobby might say to the contrary. With yield spread premium or service release premium, I, as a loan officer, am able to tailor the loan option to meet the client's exact needs or desires. In addition, it provides a means for me to earn a living. I cannot survive on my origination fee alone. Neither can my banking loan officer competitors. They earn both an origination fee and service release premium. They depend on it, too. Yield spread premium is simply a wholesale to retail markup for a service. I am required to disclose my full profit to the consumer with both the upfront Good Faith Estimate as well as the HUD-1 settlement statement. I know of no other industry in the USA that has to fully disclose their profit to the consumer. Neither the software nor auto industries, nor countless other industries are required to fully disclose all of their profit to their consumers. Not even my banking competitors have to disclose this to the consumer. This provides an unfair competitive advantage for them, as they are able to hide this compensation from their consumers. If the consumer goes to Grocery Store A and can purchase a gallon of milk for \$2 and Grocery Store B sells the same gallon of milk for \$1.50, does the consumer care if Grocery Store B has lower overhead and better arrangements with the

milk provider and therefore actually earns more profit per gallon of milk? No. The consumer sees that their end cost for the gallon of milk is lower. They are getting a better deal for their purchase. This is what I provide to my community and to my clients, and I do this with yield spread premium. I charge lower rates and lower fees to my clients AND I earn yield spread premium. My clients get a better deal through me than they would through a bank, AND because of yield spread premium I am able to earn a living. Everyone benefits. Put a different way, it does not make sense that it is acceptable for a market maker to purchase Microsoft stock at \$25 per share and sell it for \$25.50 a share, or for a bank to access money at 3% and lend it at 5% but it is not acceptable for me to access the same money as the bank at 4.5% and lend it out at 4.75%. I am offering the exact same money to my clients as the banks, at a lower rate than the banks, and yet my business model is viewed as unacceptable even though I am providing a better deal to my community and clients. In no other time in our history has the consumer had as easy access to information and competitive quotes than today. If the consumer feels that they are not getting a good deal, they can simply choose not to work with me. My clients are very savvy consumers and are very aware of what the market is charging for the same service. They appreciate the value that I provide. If I charge too much for my service and price myself out of the market, the consumer will not work with me. Conversely, if I price myself too low I will put myself out of business through not earning enough profit. This is fundamental to any business in America. If these regulations are passed in their current form, I, as well as my entire industry, will be put out of business. This will create an oligopoly within the banking industry and it will negatively impact the consumer. The consumer will be harmed by having far fewer competitors in the marketplace who will then raise their rates and fees simply because they can. I trust this is not the outcome that the Federal Reserve is hoping to achieve.