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Subject: Reg Z - Truth in Lending

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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages  
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The only part of this proposal I have an issue with is the part that says: "Prohibit payments to a mortgage broker or a loan officer that are based on the loan's interest rate or other terms." Yield Spread Premiums (YSP) are good for consumers. It gives them options. YSP allows the consumers to make the choice of paying lower up-front fees and a higher monthly payment, or higher up-front fees and a lower monthly payment. For many people, this is an important distinction. It's a allows some consumers to buy their first home without a lot of cash out-of-pocket, and still keep their monthly payment affordable. I believe this is an issue of suitability. Unlike a financial planner, there is unfortunately no requirement for a loan officer to consider "suitability" when advising a client. With the recent advancement of loan officer licensing, which I'm strongly in favor of, there may be an opportunity to change this. I believe it would be a much better way to solve the problem. Make the loan officer show the options he/she presented to the consumer, and explain why it was in their favor to take a higher interest rate and lower fees. Prove that it was the suitable decision for the consumer. YSP increases competition, which drives down costs to the consumer. Realistically, doing away with YSP would be doing away with mortgage brokers. If the broker was not able to offer what was in the best interest of the consumer, there would be no way to stay in business. Professional Loan Officers would go to work for banks. That would equal less competition, and higher prices for consumers. I hope you take this issue seriously as you are considering your proposal. I can understand the mood of the FED but not the tools by which they intend to curb free competition. The yield spread premium which has been used banks and fha to allow a variable for different loan pricing senarios which was not allow should amount to everyone offering the same rate. The variation in the different rates and pricing model has always been a factor of the market not some man made rule which typically has some under line issues which actually artifically distort the true market forces.