From: California Association of Mortgage Brokers, Nyron H McLean

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Name: Nyron H McLean
Affiliation: California Association of Mortgage Brokers
Category of Affiliation: Commercial
Address:

City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:
Dear Chairman Bernanke and Board Governors. I am writing to express my strong disagreement with the proposed changes to Reg Z. Over the last few years we have all been living with the results of either the elimination of time-tested bulwarks that protected the American consumer such as the Glass-Stegall Act, repealed in essence by Gramm-Leach. The distribution of TARP bailout funds to banks that were "too big to fail" by the American taxpaying consumer was the result of the destruction of that bulwark. The American consumer was severely disadvantaged. Attorney General Andrew Cuomo instituted HVCC to supposedly combat what he perceived to be the possibility for a bank loan originator (specially Countrywide Mortgage) and other loan originators to collude with an appraiser by being able to select a local, knowledgeable appraiser to appraise a property. The result of that horrendous decision is that the banks now own the Appraisal Management Companies with no real elimination of possible collusion, but rather a real concentration in power, and appraisals being performed by appraisers with no local knowledge of a city or even a neighborhood. The resulting appraisals is worthless, coming in laughably undervalue thus forcing the borrower to pay for a 2nd appraisal at another bank, particularly since these appraisals are not transportable, hoping for a more intelligent response and costing them even more money. The consumer once again is severely disadvantaged. We are now faced with a proposal to eliminate the Yield Spread Premium (YSP)in mortgage financing and replacing it with up-front points or a flat fee. This will again severely disadvantage the American consumer because it will eliminate critical portions of the mortgage financing structure with possibly irreparable harm. Currently, a borrower has a multitude of financing options which provides a knowledgeable, professional loan originator the tools to structure a proper mortgage to fit the nuances of his client's
needs. For instance, a client may have excellent credit and solid cash flow but

have limited funds for down-payment. The flexibility built into the current structure with YSP, allow some of the closing costs to be absorbed into an interest rate that is still low and manageable for the client, yet maximizes the funds they have available for the purchase. The client is benefited. Another benefit of the current financing structure with YSP is that all mortgage financing institutions are able to provide the same structures across the lending spectrum. Eliminating YSP will substantially alter this fact. Some lending institutions will leave certain portion of the market such as small dollar value loans (under $130,000) because smaller loans will become significantly more expensive and few consumers will be able to afford the higher amount of funds required by the higher closing costs to close the transaction. In an environment where we are trying to turn around neighborhoods one house at a time, shutting out potential homeowners who no longer will be able to afford a home would be devastating to the return of our economy to health. This economy will not return to health without housing market returning to health as well. We have already seen lenders leave the marketplace in the high end market where the cost of jumbo and super jumbo mortgages, no longer able to be easily collateralized on Wall Street, has either been eliminated from lenders portfolios or has become wildly expensive. We now have what some would consider to be affluent clientele who cannot obtain financing for their homes as well. Reducing the financing structures for the American consumer will injure them, removing their ability to achieve the greatest part of the American Dream, owning a home. Lending institutions will leave the marketplace or stop third-party originations, which used to be the majority of the lending done, because the costs and the liability substantial outweigh the possible rewards. Loan originators will leave the marketplace because they will not be able to provide solid, intelligently structured mortgage loans to the American consumer at good rates and reasonable cost. Flat Fee arrangements, in my opinion, would eliminate the homogeneity that exists in the marketplace and rather open it up to "steering" and would also eliminate the ability of originators to reduce their compensation so that they could benefit a deserving client who they are working hard to grasp the brass ring and purchase a home. Educated, knowledgeable, professional mortgage brokers and loan originators welcome raising the bar to entry into our industry. We believe in continuing education, even accept national and state testing and believe that the duties that we perform in helping the American consumer achieve that greatest of goals, purchasing a home, is a noble, honorable profession. We welcome working with The Federal Reserve, political and other institutions to improvthe marketplace. We have also seen what happens when well-meaning but under-informed misguided decisions are unleashed on the marketplace. The proposed changes to YSP will have a significant, detrimental effect on mortgage financing and ultimately the return to health of the housing market and the American economy. Lastly, I am unaware of any empirical data which shows that YSP financing has harmed in any way, the American consumer. I would go further and state that there is a significant amount of empirical data that will show that the American consumer has been assisted directly from the flexibility of the current YSP structure. Please postpone your decision and speak with the members or leaders of the California Association of Mortgage Brokers (CAMB) or the National Association of Mortgage Brokers (NAMB) to discern greater details which I feel, will help you in your deliberations. I think that you will find the current structure provides innumerable opportunities for the American consumer to thrive and achieve the American Dream.