From: Michael Mitchell

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Comments:

The elimination of YSP would severely damage the mortgage industry; make it more difficult to finance a home, further damage the economy and housing industry at the worst possible time, put thousands out of work, increase the cash required to close or increase the rate for all mortgage loans, eliminate the mortgage broker that currently offers a very competitive and useful service, and limit the consumers options on financing. In the 1970's mortgage rates ranged from 8% to 10%, (with good credit) and there were only a few large banks and S&L's to turn to for financing. At every institution the rates were almost exactly the same and everyone had to pay a point on the loan. What you propose would put mortgage financing right back to where we were in the 70's and be a giant step backwards for the consumer and a huge windfall for the large banks that would eventually raise their cost and rates across the board and pocket millions of dollars that could have been saved by consumers with the availability of alternative sources for loans, such as mortgage brokers. Most of the concern and risk that you state regarding steering, has been eliminated along with subprime loans and unusual products that are no longer available. These products were not created or approved by mortgage brokers but mostly by lenders who you now seek to reward by eliminating their largest competitor in mortgage lending. In addition, the vast majority of loan originators that are compensated by YSP are honest, hard working business owners, that recognize the best way to stay in business is to offer the consumer a good price and good service that will make them want to refer their friends and family and come back each time they need another loan. Most consumers are now aware that the Mortgage Broker can receive all or some compensation from the lender. This is disclosed in numerous loan documents provided before and during the loan process and then again, at closing. The loan is usually at a lower cost then what would have been available from the lender directly, and they have more closing cost and rate options available. For all these reasons and many more, the concept of eliminating YSP is flawed. If you are going to follow this form of logic you should also eliminate the lender compensation for service release premium and secondary marketing that is related to the size of the loan and the rate. Also, you should change the way Real Estate Agents are compensation that is based on a percentage of the sales price. In addition, you should slap price controls on wholesale verses retail on all businesses. After all, YSP is just a process of obtaining a wholesale price, packaging and enhancing the process of obtaining a loan, and delivering the finished product that is a value added service for the consumer.