

From: Independence Mortgage Co., Randy Johnson
Subject: Reg Z - Truth in Lending

Comments:

Date: Dec 21, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
Document ID: R-1366
Document Version: 1
Release Date: 07/23/2009
Name: Randy Johnson
Affiliation: Independence Mortgage Co
Category of Affiliation: Commercial
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

I am a mortgage broker who has originated over 4,500 loans in my career. I can remember the days in the '80s before YSPs when every customer paid 1.5 points, 1 to the broker and .5 to the lender. It worked fine and everyone knew who was making what. Then in the early '90s Fannie and Freddie introduced pricing that allowed YSPs. As a result, it has been possible for brokers to disguise compensation and to change it from what was originally. By that, I mean saying that they would charge 1 point, but at the end put the customer into pricing that had an "Extra" 1 point YSP. That's cheating. We now have a rule: maximum compensation is 4 points! 4 points! THAT IS OUTRAGEOUS. There is no way someone can rationalize that as a reasonable compensation for services rendered. For the record, except for smaller loans, I have charged 1 point on EVERYTHING, FOREVER and I'm just fine, thank you. I'm not saying that all brokers everywhere should do this because loans are smaller in some areas than others and some borrowers need extra help, but it makes a great model. YSPs have also resulted in attracting many unsavory people into the mortgage business, people who got into it because they could make a lot of money deceiving unwary customers, taking advantage of their ignorance with no likelihood of regulatory sanction. When wholesale lenders call on their broker-customers today, they start out the conversation tanking about how much rebate they pay. To me, that shows that with YSPs, the focus of pricing shifted from what we could do for the customer to what we could do for the broker. That is a terrible misalignment in priorities. There are brokers today who may never have done a loan without a YSP. They think THAT is normal. They feel threatened by its elimination. But there is a better world out there that is customer oriented. If they can't make it work, they need to find other employment I can assure you that when the customer has to pay a loan origination fee, HE PAYS ATTENTION. When "someone else" is paying it, he doesn't care about how much the broker makes. He doesn't understand that he pays a higher rate forever just to the broker can get extra money. Finally,

there is a perception that we can't do business without YSPs. Frankly, if the borrower can't come up with closing costs on a purchase, LET THE SELLER pay. That's perfectly legal according to Fannie Freddie rules. If he can't come up with closing costs on a re-fi, MAYBE HE OUGHT TO SAVE SOME MONEY SO HE CAN AFFORD IT. It's time we stopped building our businesses dealing with customers who have no money. HELLOOOOOO! YSPs have corrupted the system and ought to be eliminated. You could just as easily accomplish this by calling the FHFA and telling them to have Fannie and Freddie stop offering rebate pricing. You don't need any rule. If they won't buy loans with "higher than market pricing" - higher than the par rate - there would be no rebate and no need for your rule. Good luck.