From: California Association of Mortgage Professionals, Richard C Henry

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: Richard C Henry
Affiliation: California Association of Mortgage Professionals
Category of Affiliation: Commercial
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

The elimination of the yield spread premium (YSP) would eliminate compensation based on loan terms. This would make no cost loans nearly impossible and would make the borrowers closing costs dramatically higher. Many first-time buyers would be eliminated due to high closing costs. The opportunity for competition for Mortgage brokers would be eliminated. The YSP does not present a significant risk of economic injury to consumers but rather helps low-income, entry-level borrowers. The assumption that YSP is injurious to consumers has no empirical data to support such claims. Borrower are required to pays up-front points OR lender pays flat fee to originator. This reduces options for the consumer to choose pricing options. Borrowers are injured by lack of pricing flexibility. This would encourage the originator to steer loans to lenders with higher flat fee. Consumers would be further confused by non disclosed "private" compensation agreements between lenders and originators.

Borrowers with small loans would be discriminated against. Closing costs to borrowers for small loans would be so high, lenders would be discouraged from lending. Small loan amounts would most likely be eligible for up-front origination points options only. Low income borrowers who can only qualify for small loans would be priced out of the market or severely penalized by high costs. This proposal will stifle competition. The proposal creates an environment for greater litigation and burden on loan originators. Many brokers/loan originators will cease lending as result of skyrocketing liability. Many banks/mortgage banks will choose to cease participating in third party originations. The proposal does not allow loan originators to reduce his/her compensation, to benefit hard-pressed borrowers.

The proposal will damage small business. The proposal is not feasible or practical in today's market place. As market conditions change, the spread between par and "flat fee" pricing increases, causing borrowers to be forced out of flat fee option (rate too high) or pay high up-front fees. Creates environment with too many adverse and unfavorable effects on the industry. It would prevent secondary market from returning to normalcy. Bad originators would work the system while good originators would be driven away. Elimination of competition would eventually lead to monopoly. Brokers will not be able to compensate loan originators on a hourly basis without some certainty of being paid. Tracking hours spent on each loan would be impossible and impractical. Also would hurt consumers who happen to select a slow originator.