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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Regarding R-1366, Page 102, Parag D - Yield Spread Premium Eliminating the Yield Spread Premium would be devastating for the borrower and homeowner as well as the originator. This source of funds is used many times to assist the borrower with their closing costs, and in this down real estate market, that assistance is critical. Ex: PURCHASE of a home: The YSP is used to help or completely pay the closing costs for the buyer to purchase a home. The source for down payment assistance has disappeared (down payment assistance programs) and the buyer has difficulty getting enough cash to pay for the down payment and the closing costs. So many times the YSP is used to pay for some or all of the closing costs, so the purchase can happen. Without the ability to do this, many real estate sales would not be done, and therefore this would contribute to the recession. Fewer homes sold, lower real estate prices, fewer buyers, lower real estate prices and the downward cycle will continue. We need to be able to help buyers get into their new homes and the yield spread is used to do that. EX: REFINANCE: Sometimes a homeowner needs to refinance their home to better their situation (lower payment, shorter term, go to fixed rate, consolidate two mortgages, cash out for other debts, change name on title and mortgage because of divorce). The Yield Spread is used to help them so they don't have to come to closing with all the closing costs (borrowers are short cash) or so they don't have to include the closing costs in the loan amount (depleting equity). Many times a homeowner's value has decreased to where they can't include the closing costs in the loan amount and the yield spread is the only way they can do the refinance, bettering their financial position. Eliminating the yield spread forces the homeowner or buyer to pay all the closing costs out of pocket with no other options and without the options, the home values will decrease and the buyers will financially be in a more difficult position. This is NOT good for the consumer, for the lender or for the economy, especially in our recessionary times. Think before you change a very beneficial program, for the consumer!!! Thank you!