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Subject: Reg Z - Truth in Lending

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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages  
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Dear Legislators, In reference to the elimination of YSP, it is important to understand how this will affect/hurt consumers. This is a very, very simple concept. There are only 2 WAYS FOR ANY MORTGAGE COMPANY (Bank, Lender, Broker, etc.) to make a profit on a mortgage loan. 1. Charge up front points and fees 2. Charge a higher rate and receive YSP (whether disclosed or undisclosed is completely irrelevant). 80-90% of educated consumers (including most of you) will choose the slightly higher rate to avoid the up front points/fees required to receive the lower rate. THIS NEXT PART IS VERY IMPORTANT: The average, after-tax break even point is 5-7 years if you choose to pay points vs a slightly higher rate. That is why most educated clients choose the no point/fee loan. If you take a random sample of mortgage loans and look at the type of profession and education level of a given borrower, unfortunately you will find that the least educated (including 1st time homebuyers) are much more likely to pay points or origination fees. ONCE A BUYER PAYS POINTS & FEES HE IS STUCK WITH A BAD MORTGAGE & THE LENDER WINS. IF A BUYER PAYS VERY LOW FEES & A HIGHER RATE, HE CAN REFINANCE THE BAD LOAN & THE LENDER TAKES THE LOSS. \*\*\*\*\*IF YOU WANT TO PROTECT CONSUMERS\*\*\*\*\* 1. LIMIT UP FRONT POINTS AND FEES, NOT YIELD SPREAD PREMIUMS 2. COMPLETELY ELIMINATE ALL PRE-PAYMENT PENALTIES \*\*NOTE-BIG BANKS & LENDER WILL "HATE" THIS SUGGESTION Take a look at Quicken Loans-they are notorious for ridiculous points used to "buy down" the rate. IT IS A HORRIBLE DEAL FOR HOMEOWNERS. PLEASE SOMEONE IN WASHINGTON--DO THE MATH--IT IS REALLY THAT SIMPLE MY 6TH GRADE SON UNDERSTANDS THE MATH ON THIS