

From: Sofia Nygaard
Subject: Reg Z - Truth in Lending - HELOCs

Comments:

Date: Oct 30, 2009

Proposal: Regulation Z - Truth in Lending - Home-Equity Lines of Credit (HELOC)
Document ID: R-1367
Document Version: 1
Release Date: 07/23/2009
Name: Sofia Nygaard
Affiliation:
Category of Affiliation:
Address:

City:
State:
Country:
Zip:
PostalCode:

Comments:

With regard to proposed legislation to the ban on YSP- I am a Mortgage Broker and have been in this business for six years. I've worked on all sides of the loan, for the lender, as a processor, as an originator and currently running a brokerage in addition. I take great offense to the all out attack on Mortgage Brokers by the Fed and other government financial agencies. Number one, there are a lot of bank LO's out there that are worse than any broker was, and they're still out there because NOTHING has been done to put their deceptive practices to rest and Number two, I have spent my entire career working hard for my clients. I rarely ever make YSP that would increase the rate above par because the fact is, brokers CAN make YSP without raising the rate. Generally my YSP is about .125% (a pittance most of the time) of the loan amount and I get the rock bottom rate for my client without a buy down. Is that wrong? I don't think so. If anything I am undercompensated, but the most important thing to me is I get my clients a great mortgage for a great price and I deliver that each and every time. That gets me happy clients and referrals, which is what I base my entire business on, as one should. I compete and most of the time I win because I have great service and can offer great rates, better than a bank any day of the week. So is the end of YSP a big deal to me personally, no, I don't make much on that anyway, but what is a big deal to me is how this is going to hurt my industry and the lack of level playing field. I have read many of the comments of my industry colleagues and agree almost completely. It's true, loans are a long, laborious process (here's my example: I worked my whole vacation last year- during Christmas time no less- for extremely demanding clients who yelled at me on Christmas Eve for no good reason, but I continued to work for them a total of 3 months. It was a difficult loan and they were difficult clients who in the end backed out of their purchase. Their realtor was as horrified as I and apologized profusely to me, but the point is, I worked for months for no pay. That is not fair and that'

s what no one ever mentions about brokers. God forbid you point out we actually work hard and get screwed by the consumer on a regular basis.) Its true market forces have weeded out the bad apples in brokers, and it is also true that a ban on YSP could potentially have devastating affects on the mortgage industry, pushing an already high unemployment rate even higher. I think these are all extremely relevant points that should be considered carefully by the Federal Reserve board, but there are two more points I want to make. I believe these are the most important points to consider when taking such a drastic measure as banning YSP: 1) There is a new Good Faith Estimate that is going to be required for all mortgage originators in January of 2010 and in my opinion, if there is any YSP issue left out there, this disclosure will take care of it. Now, I've spent a significant amount of time reading up on the new GFE, trying it out and considering all possible effects. In doing so I came across the Federal Register and I noticed many bank-related parties, such as the FDIC suggested YSP be banned. The interesting thing here is YSP doesn't affect banks.hmm. Back to the GFE, the GFE effectively discloses to the client that we are crediting our YSP. Now we are going to have a very hard time getting around that so really, I think this disclosure does what you want to do. I completely agree loans need to be clear and transparent to the consumer. I want them to understand and be aware of all aspects of their loan, I go to great lengths to accomplish this with my clients and while I find the new GFE slightly off base, I think that will take care of anyone out there who is still ripping people off with big YSP kick backs. 2) What about SRP? I assume members of the Federal Reserve know what SRP is. It's a service release premium and essentially the same as YSP. If you are going to get rid of YSP, you need to get rid of SRP. There needs to be a level playing field that is the only way the American public will benefit. As I mentioned above, you are singling out brokers which is pure discrimination and I suspect the result of bank lobbying or even direct bank persuasion because it will be better for them if we make no YSP. They can still charge the same high rates and get their kick-backs after the loan closes, just like they are doing now, despite the fact that no one seems to notice. Less competition, higher closing costs and higher rates- that's what you'll get out of making it hard for brokers to compete. Is this really what America needs? I strongly advise the Federal Reserve to listen to the people who are actually on the front lines, working in this industry and reconsider your proposal. Yes the mortgage industry needed to be cleaned up, but we are very close at this point. A ban on YSP is not thlast step; it's a short-sighted step in the wrong direction.

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In addition to my comments I'd like to make a suggestion: why doesn't the government put a legitimate agency together to advise on mortgage policy? I read a lot of the comments posted by my fellow brokers and they have some good ideas. There are many of us who work really hard in this industry and are knowledgable and experienced in mortgage financing. We are the ones who could help our industry, the government and the public the most. We, the actual working mortgage brokers, know what's really going on and we should be consulted before policy is made that affects our business so completely. That would be fair, the proposed policy is not only unfair but not well researched. It will take real industry insiders to make a tangible difference in today's financial world.