

From: RPM Mortgage, Dave Cowen
Subject: Reg Z - Truth in Lending

Comments:

Date: Sep 22, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
Document ID: R-1366
Document Version: 1
Release Date: 07/23/2009
Name: Dave Cowen
Affiliation: RPM Mortgage
Category of Affiliation: Commercial
Address: 2611 S Highway 1

City: San Diego
State: CA
Country: UNITED STATES
Zip: 92006
PostalCode:

Comments:

While many parts of this proposal are laudable and will protect the consumer there is one critical part that undermines its goal of consumer protection and choice... the elimination of the yield spread premium. This yield spread premium is an absolutely critical part of many loans that are done. Borrowers often prefer to have significantly reduced up-front costs in exchange for a slightly higher interest rate. This is a choice that, at least with my clients, is made with a full understanding of the trade-offs. It is also an effective tool that is used by mortgage brokers when competing with banks and other brokers. The end result is a cheaper, better product to consumers. I can certainly understand why banks have been pushing to eliminate YSP... over the past year we have seen a number of new rules come into play that have specifically benefitted banks and damaged the broker industry. Given that banks are the ones who offered the loans done by mortgage brokers, this mass-benefit to them at the expense of a scapegoat is pretty disappointing given the stated goal of the new rules. I certainly will not argue that all mortgage brokers were above-board any more than saying that all bankers were steering, targeting, or otherwise promoting bad loans. The solution on both sides is regulated competition. Yes, make banks continue to compete with mortgage brokers. This competition has been shown to be in the best interest of the consumer. And yes, protect the consumer from the mortgage broker who would otherwise charge exorbitant fees in the form of massive yield spread premiums. Regulate these premiums but allow them to exist in a reasonable form. These premiums are often used by brokers to reduce expenses or buy down interest rates... something very beneficial to consumers. We have seen what too much regulation, and the absence of regulation, can do to our economy. Instead of insisting that the pendulum swing too far to either end of this spectrum, I suggest that we use mild regulation to place protections on the consumer without eliminating the competition that is fostered with the wise and

positive usage of yield spread premium. Surely we are able to stop abuses of the YSP without inflicting higher costs on the consumer in the process! Thank you for reading my comments.