

SHB 2770 Rulemaking - "Disclosure Summary" Comments

Name: Robert Bushnell

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Comments:

In reading all the comments and suggestions on YSP. The biggest factor I fail to ever read or hear anything about, is the fact that as a Washington State Mortgage Broker we are a business like any other business that deals with wholesale mortgage lenders, many of those lenders are the same lenders that originate retail loans to the public. In order to be in business in a free market society, there must be a margin between wholesale and retail for profits to be made and the business to be viable, provide jobs, pay taxes etc! We are the only industry in the USA that must disclose it's margins to the public. Mortgage Products are very competitive and consumers have more access to rates & fee's than ever before with the Internet, media etc! If you overprice your product, you will not sell that product. This is simple economics!

The YSP gives brokers and consumers much flexibility to provide the borrower a wholesale rate (which they would not get from the retail lenders) Example: BofA has a 30 yr fixed priced at 6.250% with a 1.00% origination fee plus 3rd party fee's. As a broker we are able to price that same loan @ 6.125% with a .750% origination fee and receive a .500% YSP from the lender on the same conforming loan. YSP allows the consumer to get a 0 closing costs loan by which part of the YSP is used to pay all 3rd party closing costs and the margin for the broker to earn income. In most cases this option make the most sense for a consumer, even though they pay higher interest rates on the borrowed money, a ROI calculation can be reviewed with the borrower to show the point where the lender wins and the borrower would have been better off paying closing costs over the 0 cost loan. Many times new 1st time borrowers do not have the funds necessary for the down payment and closing costs, where this option makes real sense for the borrower. Remember the one size fits all rarely ever does!

There have been some real abuses with YSP on non-conforming products by some brokers, which always comes down to a few bad apples spoil the whole barrel. I do agree with better disclosure to the consumer, but some of the suggestions made only serve to put the brokers out of business, which ultimately hurts the consumer when the only place they can get a mortgage loan is through a bank that does not have to disclose their YSP into the secondary markets, or that bank denies the borrowers loan application and they now feel they can not get a mortgage loan, so they walk away from the market all together. Honest, well educated Brokers are a real asset to consumers. Dishonest Brokers (many are already gone due to the shrinking market) need to be exposed and put out of business.

Just needed to vent my opinions!