

July 9, 2008

Ms. Deborah Bortner
Director of Consumer Services
Department of Financial Institutions
P.O. Box 41200
Olympia, WA 98504-1200

Dear Deb:

The Washington Association of Mortgage Brokers (WAMB) enjoys our strong relationship with DFI and we appreciate your efforts to add consumer protections to the home-buying process. While we support portions of Senate Bill 2770, we would like to call your attention to certain key areas that will likely harm those homeowners who are supposed to be helped.

Section 3 of SB 2770 makes the following required disclosures mandated by State Law:

1. Fees and discount points on the loan
2. Interest rates of the loan
3. Broker fees
4. Brokers YSP as a dollar amount
5. If loan contains a prepayment penalty
6. If loan contains a balloon payment
7. If property taxes and insurance are escrowed
8. If loan payments will adjust at the fully indexed rates
9. If the loan has a price add on or premium charged because the loan is based on reduced documentation

These provisions itemized in the legislation were thoroughly vetted by all aspects of the lending industry, as well as the public and regulators. It is WAMB's contention the disclosure being presented as the current draft exceeds the requirements mandated in the legislation and will cause unnecessary confusion to consumers and potentially lengthen the loan lock-in process, thereby costing the public more money.

Areas of particular concern to WAMB include:

1. The definition of yield spread premium (YSP) is misleading and falsely represents the use of this form of compensation. While YSP is indeed compensation to the mortgage broker, its use is disclosed several times within the various forms mandated by federal and state law. YSP is frequently the only compensation the mortgage broker receives and is frequently used to offset a borrower's closing costs on a loan.

The definition implies the consumer is being defrauded by the payment of YSP, no matter how competitively the loan is priced, or how well suited to the borrower's circumstances.

WAMB is opposed to the inclusion of the definition of YSP as it is incorporated into the disclosure, which is not mandated by SB2770, and we urge its removal.

2. WAMB would like to see the YSP disclosure included in the section regarding compensation rather than as a separate line item since YSP is legitimate compensation and should be categorized appropriately.

WAMB strongly urges the Department to remain consistent with HUD's definition of compensation from the lender to the broker for goods and services with all it's considerations of the issue. Further, we are concerned about adding to the 25 pages of federally and state-mandated forms consumers must now sign upon application. The disclosure should shed light and educate, not mislead or cause consumers to make ill-informed decisions.

3. WAMB believes the draft disclosures imply the terms of the loan are locked at the time of application. In fact, the terms of the application are based on the rates, fees, YSP and loan programs available and discussed on the date of application and are likely to change prior to a lock-in.
4. The statement of the borrower's monthly income is not listed as a required item in the legislation. In most loans, the income documentation is not received at the time of application and the loan originator is using the amount stated by the applicant.

With some loan programs, income is not stated on an application at all. WAMB suggests this statement be removed from the disclosure and that the disclosure defer to the required item in Sec 3 of SB 2770 which requires a statement be made if there is a premium being charged for a stated income loan product.

Our Association has always taken a leadership role in protecting Washington consumers and collaborating in a positive manner with our legislators and regulators. We thank DFI for its careful consideration of the aforementioned points and welcome the opportunity to discuss any questions or concerns.

Sincerely,



Dave Erickson
2008 WAMB President

cc: Scott Jarvis, DFI Agency Director
WAMB Board of Directors