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## News Items

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### Consumer Groups Blast HUD Over Upcoming Senate, Yield-Spread Hearing

NEW YORK, Jan. 3 (LendingIntelligence.com)—Mortgage industry representatives and consumer advocates are primed for battle for next week's U.S. Senate Banking Committee hearing on yield spread premiums.

YSPs are the fees paid by a lender to a mortgage broker in return for the delivery of a loan that carries a higher interest rate.

"[The Department of Housing and Urban Development (HUD)] is in the process of promulgating a rule, as it deals with YSPs," said Jesse Jacobs, a spokesman for the Senate committee. "Congressman Paul Sarbanes (D-MD) wanted to have the hearing now to have public input into...the rule."

The mortgage industry is especially wary, as brokers and lenders say YSPs are necessary for them to do business. Both the head of the [Mortgage Bankers Association of America](#) and the head of the [National Association of Mortgage Brokers \(NAMB\)](#) are scheduled to testify.

"YSPs are the only way to allow mortgage brokers to deliver low costs or no points loans, especially in purchase transactions where the single largest impediment to increasing home ownership is the cash to close," said Joseph Falk, president of NAMB. "Without the option of a YSP, out of pocket cash costs will rise when using a mortgage broker, which is why it is such a tremendous consumer benefit."

Chairman Sarbanes stated at a Dec. 13 Committee hearing that he was concerned with HUD's Statement of Policy 2001-1, issued in October, concerning the legality of yield spread premiums.

At the same hearing, HUD Secretary Mel Martinez testified that

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HUD felt obligated to issue the Statement of Policy because its previous policy statement was being misinterpreted by the courts.

Opponents charge that unscrupulous brokers will steer consumers to lenders who pay YSPs so they can generate bigger fees, opening the door for price gouging.

“What HUD did in October was a sad commentary on the state of HUD’s regulation of mortgage lending and shows it is not committed to helping homeowners,” said Ira Rheingold, executive director of the [National Association of Consumer Advocates](#). “It was really disappointing, and an example of HUD not being interested in consumers, but rather taking its marching orders from the lending industry.”

“The industry turned to HUD to save them and that’s exactly what HUD did — they saved them,” added Rheingold, who is scheduled to testify at next week’s hearing. “The industry said HUD needed to change the interpretation so that it disagrees with that courts decision, limiting the ability to use class action lawsuits as a remedy and HUD followed the road map laid out for them.”

Margo Saunders, an attorney from the National Consumer Law Center who has followed the YSP debate closely for several years, said the recent policy changes issued by HUD were a smokescreen.

“I hope HUD will issue regulations that actually provide consumer protection,” said Saunders. “The proposed disclosures were not new, but exactly the same that were proposed by HUD in 1999. The 2001 policy statement was a complete shaft to consumers and gift to the industry.”

HUD says that the statement was a clarification of an earlier position on YSPs. It has steadfastly maintained that YSPs are an important tool for promoting homeownership because a YSP allows a borrower to obtain a mortgage with little or no cash paid up front.

The hearing on "Predatory Mortgage Lending Practices: Abusive Uses of Yield Spread Premiums" is scheduled for Jan. 8 at 9:30 a.m.

Preliminary Witness List:

John Courson, Chairman-elect, Mortgage Bankers Association

David Donaldson, Donaldson & Guin LLC

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Joseph L. Falk, President, National Association of Mortgage Brokers

Mr. Howell Jackson, Harvard University School of Law

Ira Rheingold, Executive Director, National Association of Consumer Advocates

David Olson, President, Research and Managing Director, Wholesale Access

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**Reader Submitted Opinions:**

By: **OCloanguy** on 01/03/02

Margo Saunders, the attorney from the National Consumer Law Center is wrong. The only smoke screen is from Ms. Saunders. She will only be hurting the ones who need the help the most. She is only concerned making a name for herself. Maybe she thinks she is doing some good, but there are thousands of potential borrowers who will be hurt, not helped, if she is successful.

We already have laws for "Preditory -Lending", lets enforce those laws.

I have an idea, there should be a law, that everytime the lawyers want to create a new law they need to remove the old out-of-date laws first.

By: **cdodds1970** on 01/14/02

How is it that the auto lending industry can get away with YSP, including non-disclosure, and no one responds to it. Yield spread is nothing more than fair market pricing! Do some people get better pricing on food because they have good credit? Do some people pay more for food because they have bad credit? If a broker or lender are setting fair pricing for each customer, then there should be no complaints. It is a shame to see people using this issue to make a name for themselves. Let's talk about predatory! You will end up hurting the segment of the population you are most trying to help by making it not profitable for ANYONE to work with them.

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who would like this story?**

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