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North Carolina makes mortgage history

North Carolina's governor Mike Easley made mortgage history on Wednesday by signing House Bill 2188. In signing the bill, Governor Easley made North Carolina the first state to eradicate rate or yield spread premiums.

Mr. Easley had nothing but good intentions when signing the bill, but the legislation may possibly encumber the mortgage industry. Now that the bill has passed, there may potentially be discrimination among small businesses and in turn limited choices for consumers.

Those that support the bill feel that yield spread premiums actually encourage brokers to charge higher fees on their loans. With yield-spread premiums, supporters believe there is no added benefit to the consumer due to the fact these premiums are basically kickbacks that the brokers customarily get on subprime loans when they encourage a borrower to lock into higher interest rates than a lender has actually set for a loan.

Critics of the bill have voiced concern stating that yield spread premiums permit mortgage brokers to supply loans with reduced or no closing costs and in turn helps consumers by distributing the fees over the life of the loan.

Both Representatives Dan Blue and Walter Church sponsored the bill, which will not take effect until October 1, 2008.