From: "dudy" <dudy@udy.net> on 04/08/2008 12:50:01 AM

Subject: Regulation Z

April 7, 2008

To:
Board of Governors
Federal Reserve System
Re: Docket No. R-1305

From:
David Udy, CMC
Salt Lake City, Utah

Gentlemen,

I am expressing support for the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but respectfully oppose the proposal to restrict compensation for mortgage brokers. I am currently a Mortgage Banker but I am in complete sympathy for Brokers with regard to the above. If you wish to restrict compensation in the mortgage industry it should apply to all originators including banks and servicing lenders. Keeping the playing field level and competitive will benefit the consumer far better in the long run.

If it is your desire to restrict compensation to some reasonable level, it would be a lot easier to simply tell all lenders that purchase mortgages to restrict the maximum compensation from either YSP or SRP to a to three points paid to the broker or correspondent. This restriction would not apply to any funds used to fund the consumer's costs of a loan. This second piece is important because the YSP funds are often used to assist borrowers with closing costs. Since the FED regulates virtually all of the wholesale lenders that purchase loans from others, (and I'm certain that FANNIE and FREDDIE would go along with the restriction for any lenders outside of the FED's jurisdiction) this would be a matter of a memo and agreement and be able to go into effect immediately.

The disclosures of compensation you are considering for brokers are impossible to implement and frankly look punitive. The current mortgage meltdown was not created by brokers. Everybody from the consumer to the bond market and the regulators has responsibility in this fiasco. The consumers got loans that were "too good to be true" and Wall Street made fortunes peddling junk loans as "A" Paper. Punishing brokers for the sins of everyone in the system is simply punitive. Brokers did not create the loans. I agree that brokers have some responsibility but no more than any other segment of the market. Everyone in the system was eager to make money on those ridiculous loans made over the last five or so years. "No Doc's", ARM's, and the worst of all "Option ARM's" were nothing but premeditated foreclosure and should have been shut down years ago.

I wonder if anyone at the FED has any *experience* in the Mortgage Industry. In today's world the difference between brokers, mortgage bankers and banks is blurry at best. Everyone that "originates" mortgage loans has the same duties, responsibilities and generally the same compensation and the consumers can rarely tell the difference. With that in mind, ALL that originate mortgages should play by the SAME set of rules. I have worked personally in all of those capacities and find that the only real competition is one of service.

Since the FED is thinking of changes to the Reg. Z, how about simplifying it so that consumers can actually understand it. I've been explaining it face to face to customers for 29 years. I'm good at it but they still don't understand and rarely know that it is supposed to be for them to shop for the best deal. Also, it is a poor way to shop when discount points are factored in. Discounts factored over a 30 year period look like they are a good deal until one realizes that the average person sells a house in five years and refinances in four. A more realistic approach would be to simply show the NOTE interest rate and the costs to obtain that rate. If everyone showed the charges and the rate together it would be a lot clearer what the "cost of the money" actually was. That of course would only work if everyone showed the "costs" the same. The consumers would then be easily able to look at the costs for any given rate and determine the best deal. The APR just confuses them because it is a calculation that they do not understand. (and frankly, neither do most mortgage people.)

And then there are ARM's. The way we are currently required to disclose ARM's is a joke. No wonder that the average consumer didn't understand the "premeditated foreclosure" loans they signed up for. We disclose them at best case instead of actual or worst case and those are YOUR current rules. When ARM loans first came out in the mid 80's we at least gave a worst case disclosure. The only part we missed was that no one predicted the price of real estate would fall at the same time there loan amount was increasing. That is happening again and we are about to foreclose on a whole bunch more homes as a result. It is time to change ARM disclosures as well. The FED has some responsibility in this melt down as well.

> I'll close with this:
> The obviously punitive changes the FED is suggesting are unworkable and will not help the consumer understand the process or pricing any better than they do now, which is pour at best. Get a clue!
> It is time to correct the whole system and bring it into the reality of the current world.

There is no group that wants the system fixed more than those of us left, whether broker, banker, or mortgage banker.
One way or another we are all under your control and that gives you both the power to fix the problems and the responsibility for fixing them.

Thank you for considering my comments. They are from both my heart and my frustration for the current situation.

Dave Udy
Mortgage Professional

PS IF you really want to make some changes look to the internet. The abuses are still rampant. Bait and Switch is alive and well there.