

From: "F Coon" <fcoon@carefreerealtyfl.us> on 04/08/2008 12:10:02 PM

Subject: Regulation Z

The Florida Association of Mortgage Brokers, of which I am a member, may disagree with some of my comments posted here, but they are my honest and well thought-out opinions and are based on facts, not emotions.

I am a Licensed Real Estate Broker and a Licensed Mortgage Broker here in Florida. I obtained both licenses in 1995 and have operated both businesses in an honest and forthright manner since. I have been in the new homes, real estate and financing businesses since 1969 and have been responsible for the sales of more than 18,000 homes during my career, plus the development of more than 120,000 acres of property for homes and all sorts of commercial properties. So, I think I know quite a bit of what I speak.

All this hoopla now about all the bad mortgages out there and who is at fault for their existence I believe to be extremely misleading to the public. In my opinion, it is the fault of the lenders and their investors themselves. I recall being bombarded with all sorts of marketing from these groups pushing their sub-prime and "funny-money" loan programs – and I mean PUSHED!! The same thing occurred back in the early '80's prior to the RTC scandal, and that was caused in the same manner and by these same groups.

I believe that financing, like charity, begins at home. What I mean by this is that it is the lenders themselves that make these loan programs available and push them on the general public who knows very little of all the potential ramifications of these programs. The lenders do not make a big point of the negative potential impacts, rather just the positives. It's like putting a carrot in front of a horse. Putting these programs out there to where the public can now buy much more house than they could otherwise afford is that carrot. A horse will follow that carrot into a dangerous situation for the horse, as will the public. After all, the public is trained practically from infancy to buy as much house as they can possibly afford because their return on it will be that much greater. That's the hook!!

It is this practice on the part of the lenders that keeps a certain portion of Mortgage Brokers & Correspondent Lenders somewhat in the dark, and shame on them for not asking for ALL the potential ramifications so that they may better inform their customers. This is the same way that the stereotype image of used car salespersons came about, so shame on them. And as the honest and forthright used car salesperson's image is affected, so is the reputation of both real estate agents and mortgage brokers. We all bear the blame for the actions of a minority in our respective businesses. I honestly have no problem disclosing what I am going to make on a loan, disclosing to a customer that in addition to the sales commission I will also be receiving compensation for placing their purchase money loan and how much that may be. It is fairly well known what a real estate broker's commissions are, so why not a mortgage broker's fees??

As far as stating them at a loan application and not being able to change the up-front disclosed fees is not fair to either the mortgage broker or the borrower, and may be stepping on restraint of trade principles. In case you are not aware, the information provided on a loan application does not always bear out the verifications, and many times the broker has to put the borrowers into another program with a different fee structure. Should this occur, a new disclosure can and perhaps should be made. Otherwise, I would disclose the highest fee I think I could possibly earn, and if it comes in less, so be it. There are some in the business, however, that would go with a loan program where they would earn this higher fee, which would result in a higher interest rate for the borrower.

The problem, as I see it, is that this pending legislation will put a lot of extremely honest mortgage brokers out of business and put the public in the hands of these rather unscrupulous lenders and their investors who, in my estimation, are the real culprits. Quite honestly, I have little sympathy for them, and for the Federal Government to be bailing them out of their own doing, I think is a travesty. If I operate my business in such a potentially dangerous manner, will the government come in to bail me out – I doubt it !! So what's the difference? These same groups did the same thing to our government back in the '80's with the RTC bail-out. And who is really footing the bill for that? THE AMERICAN TAXPAYER !! That is where the Federal Government gets its funding, is it not?

So the lenders and their investors make huge profits by creating these dangerous loan programs, promoting them, and then when the borrowers end up not being able to afford the loan any longer as a result of the bad program design, these same lenders and their investors come running to the government with "The sky is falling" call for help – so they are, in effect, hitting the public in the pocketbook twice. How fair is that?? I think it is time they learned to fend for themselves – after all, they are "professionals", are they not? I have to fend for myself in my business – or should I try to become a multi-billion dollar business so that I can depend on the Federal Government to bail me out when I mess up??

It is the borrowers that have really been hoodwinked and need the help – although some borrowers took advantage of these loans to speculate in the real estate market, and I believe those are fairly easy to identify by checking on their other holdings. These speculators hurt themselves, and, as a result, I have no sympathy for them and believe they should receive no assistance, it was their own greed causing them to put themselves into the position they are now in. Those who used these loans to purchase their primary residence should be provided assistance from the lender – not the government. It was the lender, was it not, who put these people into the situation they are now suffering.

As both an active real estate broker and mortgage broker, I see this every day – and saw it when it was first happening. I instructed my staff to mention these programs because the borrowers would hear about them elsewhere, but to thoroughly explain both sides of these "funny money" programs and to try to talk their customers out of

using them because of the numerous pitfalls. As a result, my companies did very few of these types of loans, and the borrowers who used them were asked to sign a document that stated they were using this type of loan against our recommendations, as we had disclosed the pitfalls and the borrower had decided to proceed anyway.

I will be more than happy to discuss this with you further. Should you to do so, my contact information is contained in my signature block below.

Regards, Frank D. Coon, Jr.
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As always, any business you send my way will be greatly appreciated.

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