

From: Don Rupert <don@mortgagenetwork.net> on 03/28/2008 11:10:01 AM

Subject: Regulation Z

March 28, 2008

To:

I am writing to express serious concern over the proposed rule amending Regulation Z. My name is Don Rupert President and CEO of Mortgage Network Inc. in Louisville, KY. While I support the Federal Reserve Board's goal of providing additional consumer protections against abusive practices, I must respectfully oppose those provisions related to disclosure of mortgage broker compensation on three grounds: practicality, fairness, and harm to consumers.

From a practical standpoint I see no means of complying with the provision requiring complete and accurate disclosure of broker compensation *prior to the receipt of a formal application* , issuance of a rate lock, or preliminary loan approval. We do not work on a set fee structure, therefore our loan officers simply will not have enough information from prospective clients to be able to accurately disclose our anticipated net compensation at such an early stage in the loan process. Our earnings fluctuate widely based on interest rate changes, choice of lenders, underwriting circumstances, competition, and a host of other variables. In other words, regardless of any perceived merits of such a disclosure, implementation is impossible. We will be unable to provide this information because we will not know it ourselves until later in the process.

Regarding the fairness issue, any regulatory changes need to be applied universally among all types of lenders. Clearly, the Proposed Rule creates a strong bias against broker-assisted transactions by imposing onerous disclosure rules *only on mortgage brokers* . The unintended adverse consequence of the proposed amendments will be the elimination of most brokers. Consumers need to be given clear and accurate information regarding the total cost of all goods and services being purchased prior to choosing a vender. Meaningful, accurate disclosures are essential, and estimate providers need to be held accountable for their quotes. I have been a long time advocate of government mandated tolerance levels on the accuracy of good faith estimates, with strict penalties on those brokers and lenders who fail to comply. But requiring only mortgage brokers, and not other types of lenders, to disclose their compensation does not assist borrowers in their cost comparison. If anything it adds confusion to the process at the expense of mortgage brokers.

Ultimately, it is consumers who will suffer the effects of the Proposed Rule Amending Regulation Z. The proliferation of mortgage brokers over the past 25 years has played a significant role in bringing about the highest level of home ownership in our Nation's history. If passed in its present form, compliance with Regulation Z will prove to be unworkable for brokers. Furthermore, studies by the FTC in 2004 and 2007 show that additional disclosures of mortgage broker compensation created confusion, caused consumers to choose more expensive loans, and impeded competition. The demise of brokers will drive up prices and hurt customer

service at a time when government officials should be doing all they can to assist consumers as a means to resolving the current mortgage crisis.

Thank you for considering my comments. I urge you to reconsider your Proposed Rule Amending Regulation Z. Please feel free to call me at 502-425-6345 if you have any questions or if I may be of further assistance.

Sincerely,

Don Rupert
President
Mortgage Network Inc.