From: "kayleen Stessman" <kstessman@multi-fund.com> on 03/28/2008 12:40:03 PM

Subject: Regulation Z

Proposed Rule Amending Regulation Z

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Comments against:

This is obviously a biased attempt to scapegoat brokers again for the crisis that the nation is in with the housing market and foreclosures. We forget who invented the negative amortization loans and other adjustable rate loans because these vehicles were a way of making great money for banks and brokers. There were also banks along with brokers who were advertising and closing these types of loans.

We have politicians and people who are ill-advised and ignorant of the mortgage loan process and getting greased by lobbyists in the banking industry to pass harmful legislation that is so obviously designed to increase the market share of mortgage finance to the banks.

You see that banks are charging “default rates” on credit cards in the area of 25% to 29% for a consumer who is one day late with his credit card payment. What do you think they will do in regard to fees and penalties if they become the majority source of home financing? Why is there not more concentration on capping the amount of interest and fees the banks and credit card companies charge? This all hurts the consumers.

You have banks like Countrywide and others under investigation and in law suits for defrauding customers into punitive sub prime loans under the regulations of a “bank” and not having to disclose yield spread in any way because they call it SRP or what ever else they want to call it.

Disclosing YSP in yet another place in the loan documents will not do anything to help protect the consumer. It will confuse them. You are trying to say that a loan officer making YSP is the problem for the housing crisis. It is not the YSP. The banks make their money from interest rates, from investing, from selling mortgages, from making a spread on the money they borrow and lend. They are doing the very same thing brokers are at a much larger scale. Why is this not wrong? They are leveraging the amount of money they make. They are taking total advantage of the consumers because they are not disclosing all aspects of how they are making money off the consumers. I think the general public would be appalled if they really new how much banks make off a mortgage loan transaction. The banks in the long run make much more money off the consumer than mortgage brokers. If they did not, they would not be in business.

In fact the way I read the rule, it will actually penalizes the consumer because the rule states:

“That disclosure would have to be made *before* the consumer paid any fee to any person, *and* before submitting an application.”

In order for me to disclose the YSP before the applicant makes the application, I would have to arbitrarily pick a rate and disclose that YSP before I know their credit score or job time or other positive or negative factors of the loan file.

That sentence alone proves the ignorance of the authors of this ruling. To enforce that, you might as well just outlaw brokers and chain all of our doors shut. This would put many more people out of work. This will affect title companies, appraisers, loan closers, construction workers, surveyors, electricians, plumbers, roofers, and banks that depend upon the brokers business. The words HUGE RECESSION with slow recovery come to mind. Not that we aren't already in a recession.

See how slow we recover from the housing crisis we are in when brokers can no longer be effective and profitable.

In addition, whether that sentence is meant to say before I submit the loan to a lender, or before I take an application from the client, if I disclose the YSP for a given rate and the loan pricing gets better by any amount it eliminates my ability to take advantage of that increase in YSP. Many times the change in YSP is enough to pay me several hundred dollars more but not enough for me to drop the rate to the next lower rate without costing me money so I can at that time take the extra YSP with good conscience.

The market place is the best place to mold the changes needed to fix this crisis. In my opinion, the market has already made the needed adjustments in loan guidelines and elimination of many types of loan products that created the most harm and damage in this mess we are in.

I believe that left alone, the market will fix this problem by not buying risky loan products any more as they have been doing for several months now. Then lenders can't offer them and less risky loans are originated.

You have to be careful though because if you eliminate too many buyers from the market then you slow the recovery of the crisis.

As far as I am concerned, the market has made the necessary changes to fix the problem, but the politicians want to pass ridiculous, ineffective and misguided laws and regulations so they can stand in front of cameras and take credit for the recovery when in fact they more than likely will be the cause of the recovery taking longer than it should. Either way, they will take the praise or shift the blame. But they will look like they are doing something.

One regulation, which does help is the Net Tangible Benefit disclosure. With this disclosure, the consumer must be advised that there is a true benefit to this transaction, and they know exactly what that benefit is, thus insuring that the transaction will in fact put them in a more advantageous position than they were before. From there, they have the ability and responsibility to shop for the best benefit.

I urge you to use common sense and fairness in implementing these changes. The majority of the brokers who have survived the fall out are the ones who have been doing it right all along and have built trust with their communities and clients. The requirement of a college education, continuing education and licensing are the best ways to keep and attract good people to the industry. Don't try to over correct the problem.

Unfair rules that favor banks over brokers do nothing but hurt the consumers who cannot get approved at the banks, and stifle competition. There is already a group of consumers collecting who all fall under the 600 credit score floor that has been put in place by many banks. The banks won't write them a loan because they don't want the risk. (You had better start watching sector because more foreclosures are on they way) These people can qualify for a FHA loan according to FHA guidelines but the banks won't lend to them. So it seems amazingly stupid to me to get rid of the brokers who could possibly help these people and find a company that will help them rather than give more power to the banks. How does this make sense?

Consumers have every right and ability and a responsibility to shop for the best loan and are well advised to do so. The consumers also have a responsibility to be in charge of their finances and their lives.

We live in a society of blaming and pointing fingers so we don't have to take the responsibility and this appears to be a trickle down effect. Additional disclosing and putting another section of the market out of business is not the answer.

Fairness in lending goes both ways.

Sincerely,

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