From: "Richard Kahn" <rkahn@whalemortgage.com> on 03/29/2008 08:40:04 AM

Subject: Regulation Z

Hi. I'm a broker down in Homestead Florida, just 4 minutes from the Florida Keys.

For 2 years I lectured new people coming into the business.

RegZ (the truth in lending law) is a very important protective measure of government. In practise it falls short by failing to explain the method of computing APR. This is simple. Take the one time lender charges made at closing, amortize them over the length of mortgage and express them as a percent. This has advantaged lenders because they can earn about 300% of what a broker earns and not show it.

The APR computation will show how the government has already advantaged lenders WAY over brokers. To make my point, here is an example: $300k loan 7% interest, 30 year term 7.37% APR. Multiply the loan amount $300k by .0037 = $1,100 x 30 year amortization = $33,300 which is a whole lot MORE than brokers typically can make. A fee of 2% which is high for a broker is $6,000.

Personally it is a BIG MISTAKE to advantage lenders even more. Since they've come into the marketplace directly competing with the brokers, the LENDERS have, in their greed, undermined the entire industry. Whether this was by accident or device, it is having the lender desired effect of getting MORE control... of earning MORE money.... of not having to tell the customers how much they make, and sell products into the money markets, of loan packages that are extremely suspect but the lenders have managed to mix them in with AAA AA A BBB ratings.

If you'll recall historic federal regulations, they were enacted to protect consumers from BANKS. The banks were giving these interest only loans that would balloon in 5 years. At that time the borrower owed more than the original loan amount, with closing costs... and had wound up paying 5 years of mortgage payments which didn't give them ANY equity in their properties. The government came in around 1938 and offered the banks to make yield spread and sell the mortgages into FNMA and GNMA.

The old cartoons of the banker with the foreclosure notice and the damsel on the railroad tracks was more than just the cartoon of the times. The mounty that rescued her was the hero. I'd liken that person to the broker.

Many of us are really really savvy and we wouldn't and haven't put our customers into bad loans. We've earned only a fraction of what the bank would earn directly. If you take away to buffer that keeps the lenders in line, as you propose, you'll be giving them just what they lost in 1938 and since... the chance to "own the company store".

This is a lender generated debacle. Not a broker caused problem. We sell "the cars", they manufacture the product. We sell lender products.

If you are truly not being lobbyied by the banks and doing exactly what they want, the best way to protect the public from the lender debacle we are in, is not to scapegoat the broker, but to make a meaningful legislation. Simply put, just make the lenders divulge their earnings same as the brokers. In this way, the lenders will HAVE to earn less, more in line with brokers and by doing so, will be providing more equity to the borrower, better products and not taking them down the rosy path of foreclosure.

You're being misled by the lenders, as you have been since the beginning in the 1930's. Banks have needed significant legislation and policing. THEY have the wherewithall to destroy individuals, brokers do not. We're basically sales people. We sell the products they supply. Governing the supplier is a MUCH more sensible route to take than governing the salesperson. We don't have the benefit. We don't get to keep the house or sell the loan into the secondary markets and earn even more and more.

I belive that the FRB is the one organization in government that really does make significant laws that protect consumers from the banks. That means you're always dealing with the banks. You rarely deal with brokers. If the banks were able to self regulate, this problem would obviously not be here. They can but they don't. Bank greed is legendary. They have your ear, but please remember your historic role. Don't let them pull the same wool over your eyes that they've pulled before. Making the lowly broker's scapegoats will just enable the lenders to take more advantage. That's what they've done, you curtailed successfully and now they're just at it again. Allowing them to push you in the wrong direction and penialize the brokers, just helps get the brokers out of the way... which has been the lender's desire all along.

Good brokers protect the consumer. We educate them, help them analyze their position now and in the future to know if they're going to be stable enough to own the property and pay their bills, and help them all along the way. We are the mounties who rescued the damsel in distress... that has been our role. I don't think you're seeing the historical importance of our position in protecting consumers from the banks when it comes to mortgages.

Please consider just making whatever disclosures you think are necessary, applicable to ALL mortgage transactions, whether it is from a Lender or through a broker. And make it CLEAR, not like the APR language which doesn't use an example. Just include a simple example so anyone can figure it out.

I'm deeply sorry for such a long email. If you've read it, that's great.

Thank you so very very much for your attentions.

I hope you make the RIGHT decision and level the playing field so the consumer benefits and not just the lenders.

Richard Kahn
Commercial Loans: Nationwide
Whale Mortgage, Inc.
Correspondent Mortgage Lender
Principal Partner
Ph: 305-230-6880
Fax: 305-230-6884
rkahn@whalemortgage.com
http://www.whalemortgage.com/c-index.cfm