

From: "Nancy Bolt" <nancy.bolt@sunmortgagefl.com> on 03/31/2008 12:25:01 PM

Subject: Regulation Z

Dear Ladies and Gentlemen:

This email is long because I feel compelled to give you some background so you understand from where I stand in making the observations I do. If you read nothing else, please read the section in bold print near the bottom of my submission.

I have been a mortgage originator, processor, underwriter and closer since 1977 working for institutions and eventually opening my own company because the institutions did not wish to handle small or time consuming loans. Many times I saw good people not being helped because they needed education to square away a credit report that was not accurate and spending time on that education was not profit enhancing. Although members of the general public think of banks as a place to put their savings and use a checking account to keep tabs on what they pay, many do not understand that they are profit centers using other people's money to make money for themselves. In times past, they used their depositors' money. But savvy bankers learned to go broader in their search for more money to use and are now heavily relying on the secondary market from Fannie and Freddie to Wallstreet. I know this because I was Vice President of an institutional lender doing FHA loans, owned by 3 banks and dealt with the sources purchasing the loans they originated. As a Mortgage Broker, I had access to many of the same sources and I was willing to work just a little bit harder to help a lot more people – all legally!

I understand there are Mortgage Brokers who have bent or broken the rules and caused harm in the industry. But there are people in every industry doing bad things, including bankers. The sad part is that Mortgage Brokers who did the right thing but took advantage of programs made available to them to help their customers are being blamed for much of the problem in the industry today. The Mortgage Brokers did not create these programs! And I, for one, steered people away from potential problems and into 30 year fixed rate mortgages as much as possible. My company only stopped doing FHA loans because so many other programs were available through the prime and subprime market that were actually less expensive to the borrower for not having the MIP that was not tax deductible. In one case, I did a two part loan rather than the single 30 year fixed for a man whose brother was an attorney and whose father was an accountant. I provided complete information on all the products available to the customer and his father and let them make the decision. The father was amazed at the difference in cost and advised his son to do precisely what I had thought was the best course of action for him. This same scenario has occurred many times and explains why I have so much repeat and referral business. I work hard for my customers and earn every dime I charge, though my charges are reasonable and I am not rich – far from it.

With all that in mind, I am writing to you to express my concerns with the proposed rule amending Regulation Z.

I am a strong supporter of consumer protection as can be evidenced by the people who regulate our industry in the State of Florida who send people to me who have called with a complaint so I may review what type of loan they were put into and if there is a better product that they could qualify for. However, I must respectfully oppose the proposal to restrict compensation for Mortgage Brokers only as we are the segment of the industry who provide services to the consumers the banks don't want to bother with. First and foremost, any changes should encompass the entire industry of mortgage originators, however "employed" as we all provide the same service, we all sell to the secondary market, we all should have the responsibilities and liabilities to the consumers we serve. The state of Florida has already learned the similarities and their law (FS 494) referring to compensation states, "whatever name called" to cover the differences in Service Release Premiums (Bankers) and Yield Spread Premiums (Mortgage Companies) so no one can create a new name for a fee and not disclose it properly.

People often fear bankers treatment of them and don't try to buy a home because of it. When someone is referred to me, they sometimes act shy or embarrassed just waiting for me to tell them they cannot afford a home or are not creditworthy. When I question the items on their credit, I am not judgmental but am looking for information and can often solve a problem that has been plaguing them for years – often not their fault. But there are no schools teaching people how to understand and manage their credit rating – unless people like me take the time to do it. Your efforts in restricting income are serving to undermine the true spirit of the term “broker” as a representative of the consumer in working with lending institutions. It also misrepresents our fees as being an “add-on to retail pricing” as opposed to being considered part of the overall costs and rate provided at closing – all included in the APR. Bankers, on the other hand, don't have to disclose their cost of funds – just provide a rate and list of closing costs to the consumer who then believes it is all customary and normal. Both the banks and lenders can close the loan in their own name and sell off within a certain period of time for additional compensation. Both charge fees to close the loans even in their own names, then get paid AGAIN when they sell off the loan, even if the loan is pre-sold prior to closing.

Now you are attempting to go one step farther in asking us to set our costs and rates prior to knowing what a consumer would qualify for. The bankers don't do this, yet often collect application fees that are non-refundable prior to advising a consumer he does not qualify for their programs. (Those programs are often the very same programs I have access to from the secondary market and I have often gotten consumers approved with very little extra work on my part.) By making this requirement, the only recourse you are allowing us is to submit the loan (AFTER the consumer pays for such items as credit reports and appraisals – just like the banks do now) and obtain a turndown based on that specific loan request before we take a new application based on what the consumer qualifies for and providing a new disclosure based on what we then know we can get done. Why would you put the consumer in a position of such a long expensive process that we could avoid by obtaining their qualifying information first. Please, please do more research on this and you will find this is not a consumer protection but opening them to a lot of expense and frustration. If we do our jobs (bankers and brokers – all originators) properly, costs and confusion are minimal.

You don't need more laws, you need to enforce what you have now. Laws don't make bad people do better, enforcement works to keep bad people from repeating the bad things they do.

Thank you in advance for your time and consideration on this issue.

Respectfully submitted,

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