

From: "SANDRA BADGER" <SunnydaysFL@verizon.net> on 03/31/2008 12:55:02 PM

Subject: Regulation Z

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To Whom It May Concern:

Good morning!

It always bothers me when I hear that the government is about to ride in on a white horse to perform some sort of rescue operation! Yes, this is an election year, but bad legislation is still bad legislation. To have those farthest away from the transaction between a borrower and lender making the rules in the middle of a crisis – concerns me. Please give serious consideration to the comments you receive during this period from those people who are in “the business.” The business and the players have changed substantially since the demise of the Savings and Loan Associations. Mortgage brokers, who were once the solution of last resort, are now an integral part of an industry trying to provide homeownership to greater numbers of Americans. It is not just large banks making loans – many different types and sizes of lenders exist – most sell loans and receive fees for originating and selling them – basically they act as mortgage brokers but are called lenders. Paying a bit more for a lenders license can allow you to opt out of many disclosures.

I am one of more than 55,000 mortgage brokers licensed in the state of Florida. I began my lending career in 1977 with a savings and loan. I have seen both sides of this industry. I teach the 24-hour pre-licensing course that allows individuals to obtain their mortgage broker's license. I am an active member in the Florida Association of Mortgage Brokers. This organization strives to heighten the professionalism in this segment of the industry.

To my knowledge, Florida is the only state that requires those from out of state to physically come to Florida for education and testing. The disclosure regulations increase annually for mortgage brokers, but interestingly not for other loan originators. Yet, it is the lender who creates the loan programs and makes the decision on each file. An unscrupulous or under-educated employee (loan originator) of a lender can do just as much harm as an unscrupulous or under-educated mortgage broker, but the requirements and hurdles to do business continue to grow for the mortgage broker.

Having lived and worked in Florida most of my life, I have seen this real estate up and down cycle before. When the market is “hot” everyone thinks they can be an investor and make a killing. Some make a killing and others get killed. It is no different than the stock market. Consumer protections are great – but keep in mind that you will never be able to legislate against stupidity. It is not the governments place to protect the public from everything scary and bad! There should be reasonable protections for all consumers who seek financing – no matter whether they are going to a mortgage broker or to a banker. But, people have a right to ignore those protections and make stupid decisions. I have made some bad investment decisions in the past. I do not expect the government to make those bad decisions into good ones. I have learned from those bad decisions – and so will lenders and so will people who made bad housing or loan choices. Is the current crisis sad? Of course. But, those who have been in the real estate industry for many years knew it was just a matter of time. Everyone, even the consumers, should shoulder some of the responsibility for the current mess.

After my days with the savings & loan and prior to becoming a mortgage broker, I contacted a mortgage broker to help me refinance my first mortgage (2002). I had contacted my bank first but the loan officer was too busy to EVER call me back. The level of assistance I received was wonderful. Florida law requires that YSP and other forms of broker compensation be shown on the GFE and the HUD-1. Not so, for loan originators – the consumer doesn't know what fees are paid in those transactions.

I was pleased that I had more choices with the MB than I would have had with my own bank. He shopped the market for me. I also know that he won't be working with a lender long, if he presents false information about me as an applicant. The lenders save money when mortgage brokers bring them loan applications – they don't have to hire additional staff or pay benefits. This equates to better loan rates and terms. This works out for everyone. I feel that the current rules for mortgage brokers in Florida provide ample protections for a borrower. You must disclose maximum fees upfront before taking an application. These fees may change a bit based on market conditions – while the MB is waiting for documentation from the borrower, appraisal, etc. All fees must be disclosed again three days before closing if they change. Remember, the mortgage broker isn't the lender. How can a MB agree to certain fees and conditions before verifying the borrower's credit, income, financial positions and evaluating the property? This needs to be done before receiving a commitment from a lender. You do understand about risk – right? More risk – higher prices to cover that risk. Buyers sometimes exaggerate their credit worthiness, income etc. How can you expect a MB to guarantee fees, etc. without knowing the facts?

Encouraging the borrowers to comparison shop is great – but they should be able to compare apples to apples. If lenders are getting paid YSP from another lender – that impacts the total the borrower pays. How can an applicant really shop if they don't have all the facts? Wouldn't it be simpler for the borrower if everyone taking loan applications were working under the same rules?

To benefit the consumer - level the playing field. There should be more similarity in the process – not singling out one group for additional disclosures. Disclose, disclose disclose – fine. Just make everyone disclose and make the disclosures reasonable based on the realities of how business is actually conducted.

The field of mortgage brokering is made up of many, many entrepreneurs. These small businesses provide many jobs. Yes, there are some unscrupulous mortgage brokers – as well as lenders. It is the same in any business. We should applaud those who create jobs and help people have a better life through real estate ownership.

To make the industry better for the future, I would suggest more standardization of the process regardless of the type of company, require more education for all those originating loans, require licensing for every state with a national registry so that if the license is revoked in one state that person can't work in the industry.

Thank you for allowing me to comment on amendments to Reg Z.

Sandy Badger, President

**Andy Gray Schools of Real Estate, Inc.
2100 Constitution Blvd.
Sarasota, FL 34231
941-378-8591**