From: "Gary Heinecke" <garyheineckemgm@bellsouth.net> on 03/31/2008 05:40:04 PM

Subject: Regulation Z

Re: Docket R-1305

My wife and I have been in banking and Real Estate for over 25 years. We operate a “mom and pop” mortgage company in Greenville South Carolina and had our main office in Duncan South Carolina until we lost it to a fire in August 2007. We have the best economy in the nation and a declining foreclosure rate, yet the media says we are the” lowest foreclosure” area in the nation. Although we are a small company we have worked with thousands of people and have an active client base of over two thousand loyal people. We support continuing education and a national registry yet we cannot stress to you how important it is to make laws that apply to all originators (especially credit unions and banks). It seems that everywhere I turn I hear how bad the brokers are and what they did to the economy! In fact from the 2000 clients which we have helped I can’t think of one person that did not greatly benefit from consolidation, owning a home (which otherwise may have never happened), or just bettering their financial positions through our help. I also believe that these clients would tell you the same thing if you gave them the chance or if they were aware of the Feds intentions. In truth the financial problems are due to a variety of challenges created by the credit card companies, banks and their lobbyists, to say nothing of the invention of the “credit score”. Within the last week I spent over 20 hours trying to undue a high interest “Blanket Balloon “ that a BANK put one of my clients in .Why is it that this was OK because the bank originated this? The banks made a huge amount of money on the ARMS and balloons they chose to offer the public, now they choose to ignore the impact that they had on the economy and seek to lay blame on the brokers.

When we first started in the banking industry (as many well respected brokers have) credit scores were not even an issue. Although credit is and has always been an important item in determining one’s lending decision, decisions to lend were made based on credit(past and present), collateral, capacity and collateral. There was also an underlying evaluation of the applicant’s character. When the credit score was introduced this was to facilitate the lender in evaluating the credit report.

These credit scores are often not a true picture of the borrower’s ability to pay. We often offer our assistance to help clean up their credit, negotiate debt and rescore their credit without any charge whatsoever. This service can be quite expensive as the bureaus charge us hundreds of dollars and there are now the costs of additional federal expresses and credit reports. This doesn’t even account for the dozens of man hours we spend for these people. It is nearly impossible to know how many points a score will be changed through these efforts and with the daily change of programs, guidelines and mortgage insurance policies it is impossible to set a fee for these clients until we know the true picture of their credit, ability and what the collateral will be worth.

or yield spread several months from now. If the Federal Reserve System implements such a change than many possible buyers may never become homeowners. Brokers by State and Federal Law are already required to disclose Yield spread earned in a range along with the total compensation. Brokers are already limited in the percentage and yet the BANKS AND OTHER FINANCIAL INSTITUTIONS DO NOT HAVE TO DISCLOSE WHAT THEY TRULY MAKE ON A LOAN. Please also note such large margins for profit that allowed by the Feds only make it harder for the brokers to make an honest living and compete fairly. Why is it that the banks are not required to tell the public just how much they are making? If such stringent disclosure is required than these laws should apply to the banks (SRP) and all originators. Additional requirements such as are under current consideration through RESPA would only limit the credit available to the public, cause unfair consideration to larger loan sizes and limit the amount of credit and programs to the public.

It also seems that only an act of Congress could get through to the credit bureaus. I would like to see stronger laws protecting the public and give the public an awareness of the power that Congress has given the credit card companies with respect to protection from the bankruptcy laws. The average consumer never changed their spending habits and after charging up credit cards and triggering usurious rates had no alternative than to get consolidation loans through refinancing their mortgages. Since the credit score is based on available credit the score would lower as the balances increase. What ever happened to responsible lending? I often find credit card companies giving lines of credit equal to or more than their annual salary? How is this responsible? When we underwrote loans in the early 80's an officer would loose their job with too many bad lending decisions. The bankruptcy laws now protect the credit card companies and underwriters solely rely on a credit score. Where is the accountability for everyone? Banks also mass mail credit checks to draw off of credit cards but their true cost of money one would need a Chinese accountant. It seems once again that the banks are being given an unfair advantage in the mortgage market through legislation. Instead of making laws that would enable brokers to do more for the public they are seeking to limit the broker's abilities to do more for them through Federal Legislation.

Lastly broker often incur many charges for unpaid appraisals, credit reports and title work that customers fail to pay. Brokers are not permitted to collect upfront fees yet banks and credit unions can? The average mortgage in South Carolina is much less than the rest of the country. Loans under $50,000 actually cost the broker more than what they yield. We often close loans that are not profitable because it is the right thing to do. Smaller loan amounts often carry larger changes in the APR yet every loan we ever closed was fully re-disclosed by us in plenty of time when the APR changed due to market conditions or lack of products.

The public is already confused by the distinction of lenders, brokers, investors etc. It has been proven through many studies that further clarification will only serve to confuse the public. The public does not take courses on how to calculate APR and banks and credit unions don't even have the same accountability to disclose what brokers already have to disclose by Federal and State Law. It is my full intention to educate the public as to how your implementation of such a law will limit credit competition, and options for the consumer will be limited through Federal legislation.

We applaud your efforts to try to help the industry but truly feel that this legislation will hurt the broker, consumer and the general public by limiting finance opportunities for the public.

Sincerely,

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