

From: "SCOTT A. KUKELHAN" <signhmln@bellsouth.net> on 04/01/2008 11:40:03 AM

Subject: Regulation Z

*The Federal Reserve has proposed a new rule which would implement several measures designed to protect consumers. Among the measures proposed is a measure which would prohibit mortgage brokers receiving any compensation from the borrower or the lender unless stated in an exact amount **prior** to the borrower's application being **submitted**. This is a **redundant** disclosure that would be impossible to comply with as mortgage brokers are **already required** to estimate the compensation at the time the federal disclosures are completed. (within 3 days of application)*

*When an application is first taken there is **not** a complete picture of the consumers financial situation or ability to qualify, therefore it is not likely to disclose even the product and rate, let alone the fees involved in closing the loan requested. Our compensation from the lender is not established until the loan has been approved and the rate is locked.*

***Our compensation from the lender is market driven based on rate, lock period, loan to value, credit, and loan program.** At the time of application and before submission loan officers are only estimating as to what the loan amount may be, what the lock period should be, and what program the lender will accept the borrower on. Only after the loan is approved and locked would any loan officer be able to correctly disclose any compensation to a borrower. This is the rule we have **always** adhered to and the rule from Florida 494 that should be implemented.*

*In Florida, we take the borrowers application, make initial disclosures based on the request and evident qualifications. Then re-disclose after approval is gained and the rate is lock. **At this point only, would one have an exact amount of any compensation.** We are currently required to disclose again at this point (after rate lock) and re-disclose if the loan changes for any reason there after at least 3 days prior to closing.*

Although I support the goals of the Federal Reserve Board's proposed amendments to Regulation Z, I respectfully oppose any further restriction mortgage broker compensation or further disclosure.

Here are some points the Board seems to have missed or maybe is just un-aware of;

- *Mortgage brokers already must disclose all compensation or we don't get paid by the wholesale lenders! Lenders have always required these*

- disclosure from brokers signed and acknowledged by the consumers.*
- *What about the banks and retail direct lenders? Why is the board not requiring them to disclose to the consumers their total compensation. Banks sell their loans to the secondary market making much larger yields on their loans and have **never disclosed** it to the consumers. **Banks and direct lenders also charge higher retail rates than brokers on average.** This is where disclosure is needed to inform the consumer and **make the playing field** level with what brokers must disclose.*
 - *The service that the mortgage broker provides as an intermediary between the lender and consumers adds value to the transaction for the consumer. Example: If you apply at a brokers office for a mortgage loan you have access to many products from many wholesale lenders which the broker represents in the interest of the consumer. Should you apply at a bank, there is access to that one bank's program at RETAIL rates. Brokers also use lender paid compensation to pay costs associated with obtaining the loan on behalf of the consumer. Something a Bank never considers!*
 - *Loan originators who work for banks and direct lenders have no licensing or education. Mortgage brokers are required to be trained in qualifying schools, tested, back ground checked and required to complete annual continuing education. Employees of banks and direct lenders are the least qualified loan officers in the industry as a whole. (I know this having worked on both sides of the business)*

*I have owned this mortgage broker business for 13 years and have been in the industry since 1983. In that time I have seen many changes in Federal Regulation to the mortgage business that have been positive for the most part. I left the retail side of the mortgage industry because of the huge disservice I saw banks and direct lenders doing to the consumers. **Banks pick and choose only the most qualified applicants and make no effort to help the not so perfect applicant. Banks charge retail rates to even the best borrowers without disclosure and mislead the consumer into thinking the terms are great just because it was offered from a bank.** Our major banks in this country didn't get so huge by giving everyone a great deal! Has the board ever seen the difference between a bank disclosure and a broker disclosure for the same transaction? I dare say the majority of the time even the board would take the deal offered by a broker before the bank or direct lender.*

The Board fails to recognize the need for regulation of Banks and Direct lenders in this latest proposal. The board fails to anticipate the potential effect of the proposal. The proposal would most likely eliminate mortgage brokers leaving

the customers without a choice other than retail lenders.

*Over the past few years more consumers have become homeowners than at any other time in our history. Over 60% of the mortgages were originated by mortgage brokers. Any reasonable person acknowledges there are bad apples in any industry and they must be dealt with. Yes, many consumers took out mortgages that they could not afford or in speculation of a rising market. This proposal seems to insinuate that only the bad loans came from brokers. Nothing is further from the truth! Brokers do not approve loans. The underwriters approval all loans. The products were designed by the investors to be sold as mortgage backed securities. Hybrid mortgages were offered by banks, direct lenders and brokers, **but a mortgage broker did not approve even one loan.***

Further regulation of mortgage brokers will limit access for the consumer for home ownership, eliminate competition and further hinder the recovery of the economy.

While owning this business I'm proud to say that in 12 years we have closed over 65% of our business from repeat and referral customers. You can't do that without giving all potential clients a better loan than could be obtained from a bank or direct lender.

Please revisit the proposal!

Scott Kukelhan

President

Signature Home Equity Services Inc.

1173 Cassat Av.

Jacksonville, FL. 32205

800-263-7859

904-381-1188 ph

904-381-1184 fax

www.efloridaloan.com

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