

From: "Todd Sevier" <todd.sevier@goodfaithusa.com> on 04/01/2008 12:35:03 PM

Subject: Regulation Z

I would like to applaud you for your consideration of new consumer protections related to the mortgage and lending industry. I have had the pleasure of working in the mortgage business for approximately 4 years now, and I have worked my way up from an entry level loan officer to my current standing as branch manager for a highly respected mortgage broker in Charleston, SC. I have never enjoyed any job more thoroughly, and I hope that I will be working in this industry for decades to come.

I came into this industry during the height of the subprime mortgage boom. No one can doubt that many mistakes were made by banks, brokers, borrowers, Realtors, appraisers and individuals throughout the industry during this time. However, I also know that the overwhelming majority of the people I have worked with are honest, and did their absolute best to do right by their customers. Any mortgage professional with a long term goal of staying in this business needs to build a strong referral base, and this does not happen by misleading people. Therefore, I welcome legislation and regulation that will truly help my customers.

Although I do believe that much of what you are considering will be of benefit to consumers, there are certain items that may burden the industry, and mortgage brokers in particular, with the consumers bearing the ultimate loss. With this in mind I have included some thoughts for your consideration:

1) Increased regulation & disclosures. Our industry truly does need a single, meaningful disclosure form. At present there are a staggering number of forms we need completed to be in compliance with State and Federal regulations. Though each of these forms serve a purpose, I believe that the sheer volume of forms actually deters borrowers from getting the information they truly need. The Truth in Lending form is well intentioned but out of date with the variety of loan products available. The Good Faith Estimate is a great resource for disclosing fees and payments on day one, but it does not show how payments may change over the life of the loan or other factors to consider such as pre-payment penalties, term of loan, etc. Beyond these basic forms my typical loan package to borrowers includes approximately 40 additional forms regarding credit scores, right to receive appraisals, authorization to verify income/assets (multiple forms), resale policy, privacy policy. Many of these items could be reduced to a single form with multiple bullet point initials, or a similar structure. To summarize, adding many new forms will lead to less disclosure, not more, as borrowers will not read a 40 page package line by line in my experience. Honest brokers will be honest, and unscrupulous ones will bury the meaningful information in the middle of a 40 page package.

2) Elimination of yield spread premium (YSP). It seems that many in the media and government have depicted YSP as a kickback, or at least in some way hurtful to the customer. Every industry in the world charges a premium over cost. It is true that brokers have multiple ways to earn compensation – up front fees and YSP. However, many clients benefit from a reduction or elimination of up front fees in exchange for higher interest rates, i.e., having the bank pay the broker fees. Many customers, particularly first time home buyers, are cash poor and would gladly pay an extra \$25/mo to save \$1500 in closing costs. Typically customers need

to hold a loan for 3-5 years before they would gain back the extra money spent in up front fees via monthly mortgage savings. The average American holds a mortgage for around 3 years, which means that this is at worst a break even choice for most customers. In addition, YSP allows us to pay borrowers expenses including appraisals, attorney fees, etc.

3) Increased disclosure of YSP/fees for brokers and not banks. This in particular seems disturbing. As I have stated I believe that meaningful disclosures are necessary. However, demanding that brokers disclose all fees accurately prior to application is difficult if not impossible. Loan types, programs, amounts typically change during the course of the loan process. It is unreasonable to require a broker to have everything accurately disclosed before they have all of the necessary information. In addition, even if everything is done perfectly up front, customers often change their mind during the process resulting in changes to loan programs, fees, YSP, etc. Furthermore, it seems that brokers are the only ones held up to this higher standard. During the course of my career I have heard much more horror stories about unscrupulous loan officers in large call centers for Countrywide, Ameriquest and the like that provide little if any up front documentation to their customers. If these regulations are put in place, customers will ultimately shoulder the burden of less program availability and fewer options.

Thanks for your consideration of these items. I believe that you can be of great service to our industry and our customers.

Sincere thanks,

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