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Subject: Regulation Z

Proposed Rule Amending Regulation Z

COMMENTS AND INPUT FROM LANE HOUK

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- While I support the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, I respectfully oppose the proposal to restrict compensation for mortgage brokers. I recognize that certain homeowners have been unduly represented and/or harmed by certain mortgage brokers, the same remains for the many employees of Federal Savings Banks and other direct lenders. I have worked in both retail banking, mortgage banking and mortgage brokerage businesses. During these 3 different experiences, I encountered both good AND bad mortgage originators. The TYPE of mortgage originator has NO BEARING whatsoever on whether the originator is good or bad.
- I feel STRONGLY that some of the proposed rules are highly discriminatory in nature in singling out the mortgage broker for much of the legislation changes. I am a HUGE proponent of a national licensing standard instead of state by state standard and a national ilcensning standard would greatly help HUD or whatever entity might have oversight to monitor the lending practices of brokers AND bankers alike.
- Mortgage brokers serve a very valuable service. Many of them are very good, highly skilled professionals. Personally, I attend annual training events and go well beyond the required CEU's to extend my scope of knowledge so that I can provide top-notch advice to my clients. I know there are thousands and thousands of brokers just like me who care about providing a valuable service, advice and interface between the lenders and the borrowers.
- To assume (or take the legislative position) that brokers are the one's who need to be censured in the aftermath of the credit crisis is, to be candid, absurd and faulty at face value. For example in many foreclsoure cases right now it is EMPLOYEES of

Countrywide, Chase, Wells Fargo and the like who are being accused of predatory lending practices; who are being accused of assessing erroneous fees on borrowers in default or in bankruptcy. The list goes on. It is the LENDERS who underwrote and funded ALL of these "high cost" loans. If they didn't want to lend on the these borrowers, they could have easily denied or NOT created the products to begin with. It is 100% unfair to now place blame and subsequent legislation on the broker community.

- I am completely in favor of greater licensing requirements and stiffer penalties for fraud and misrepresentation to borrowers.
- It is largely the Banks and Direct Lenders who have confused the borrower by having multiple subsidiaries and operating in many different names
- I would insist strongly that any disclosures required apply equally to ALL mortgage originators, not just brokers. Anything else is complete discrimination.
- Yield spread premiums are much more than just compensation... they are used to pay certain costs and facilitate the loan transactions to a successful close. I can assure you that I am already operating at a bare bottom margin just to keep business open. ANY elimination of Yield Spread Premium would be highly detrimental to both the availability of lending options to the consumer and would also result in a DIRECT IMPEDIMENT TO HOME OWNERSHIP. The lending community is in large part already working on extremely tight margins. If legislation takes Yield Spread Premium, I would HAVE TO PASS THAT FEE ON TO THE BORROWER IN THE FORM OF AN UPFRONT FEE. Most borrowers are already challenged with the upfront costs of purchasing a home. Any increase in the cost to them would greatly hurt the consumer. In addition, you already have the GSE's (FNMA, FHLMC) reducing the maximum Loan to Value in many states so that 100% financing is no longer available.
- I think the GREATEST ADVICE I CAN GIVE IS FOR ALL OF US TO BE HIGHLY AWARE OF UNINTENDED CONSEQUENCES OF MORE LEGISLATION!!! There is no doubt there needs to be some change but we best move very cautiously and in steps so as not to over-react which we ALL KNOW there is a long history of in our country.
- For instance, requiring brokers, but not other loan originators, to make compensation disclosures would enable the Direct Lenders and Banks to steer consumers away from brokers, even if brokers offer more favorable loans or terms. This, I'm sure would be considered and UNINTENDED CONSEQUENCE.
- Furthermore, it is impossible to give a reasonably precise dollar estimate of fees a broker will charge in a transaction even before an application is submitted because the broker does not yet know the prospective borrower's financial status, transaction details, type of product sought, or amount of loan, all of which may vary as the transaction progresses. WE MUST BE CAREFUL TO BRING "REAL LIFE LOGIC" TO THIS PROCESS!!
- In closing, might I suggest that the Fed consider alternatives to the proposed regulation

which would protect consumers in their dealings with all mortgage originators, and encourage competition on price and service to ensure that ALL CONSUMERS get fair treatment and that any proposed regulation creates an even playing field for all mortgage originators.

I sincerely appreciate the Board of Governors of the Federal Reserve for considering my input and comments submitted.

Thank you.

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