

**From:** "Dick Neary" <dickneary@gmail.com> on 04/02/2008 08:00:10 AM

**Subject:** Regulation Z

To whom it may concern,

Hello. My name is Dick Neary. I am a mortgage broker in Sarasota, Florida. I have been active in the mortgage business for many years. I am also an instructor for a mortgage broker school. I have been training, (instructing), residential mortgage brokers for almost twenty, (20), years. I would like to make a few observations for your consideration. First and foremost I commend the government for trying to protect the consumer. As you know, many, many new rules and regulations have been implemented over the years with the intent of protecting the public. Having said all of that, my experience has been that we currently have so many disclosures for the borrower to read, (and understand), that the borrowers typically do take the time to read or understand the disclosures that are presented to them. Since there are so many forms and disclosures, (and they are fairly complicated, especially for someone who is not in the mortgage business), the borrower typically relies on someone else to understand the disclosures and lets the other person explain what the disclosures mean. Very often the "other person" is a mortgage broker.

My experience has been that the borrower wants to know four items; the interest rate, the monthly payment, how much to close and when to close. Quite frankly, the rest of the information provided to the borrower does not seem very important to them. Most of the borrowers are not attorneys or others familiar with the legal terms that these disclosures typically include. Even the most determined borrower typically "gives up" after trying to read a couple of the required approximately twenty written disclosures currently required on a residential loan. Again, the borrower relies on the mortgage broker to explain the documents to them.

After considering the above, let's draw our attention to the proposed rule R-1305 changes. I personally do not have a problem with disclosing to my borrowers what my compensation will be on a given transaction. Quite frankly, they deserve to know. With that said, it is impossible to tell the borrower what the compensation will be to the mortgage broker prior to submitting their application. Please understand that the mortgage brokers do not determine the interest rate and terms of the loan. As you know, these activities are completed by the lender. Each lender has their own specific underwriting guidelines. A mortgage broker could submit the same loan package to four different lenders and get four different quotes from the lenders in terms of rate and terms. This fact alone makes it impossible to quote your compensation to the borrower prior to submitting the loan application. Obviously, the rate that the lender selects for the borrower will influence any determination as to yield spread premium to be paid by the lender to the mortgage broker.

Also, it would be naive to assume that all the information that the mortgage broker collects from the borrower is complete and accurate. This is just not the case. Very often the borrower will "forget" to mention negative factors that will ultimately affect the borrower's rate and terms. The borrowers very often overstate their income. By relying on these less than truthful facts, the

mortgage broker quotes a particular loan program, (rates and terms), only to find out later that the information collected from the borrower is just not correct. In this type of case the borrower may not qualify for the loan program first proposed by the mortgage broker and ultimately a different loan program with different rates and terms may be required to meet the real needs of the borrower. I think that you can understand the point being made here.

Finally, it would be highly unfair to make mortgage brokers disclose their compensation while other loan originators are not required to do so. This would give the borrower the false impression that mortgage brokers are always more expensive to them than other loan providers. This is just not the case. Most mortgage brokers work from their homes. Most keep their costs down and therefore can offer the borrowers loans that are very competitive with other loan sources. As a mortgage broker, one of my strategies is to determine the rate and terms that the local bank is offering and to make sure that I price my loans to be less expensive than that of the local bank. Please keep in mind that the banks, etc have to provide salaries to their employees. They have to provide benefits to their employees. They have to provide a work location to their employees. That's why so many members of the public use mortgage brokers; the cost structure of the mortgage broker is typically much less than that of a typical lending institution.

Certainly some mortgage brokers have taken advantage of some borrowers. I am sure that the same can be said of some lenders. Personally, I would prefer a change in the law that would put the "bad actors" out of the mortgage business. A zero tolerance for not treating the customers fairly. Most of the mortgage brokers that I know are honest hard working people. The mortgage business is a hard business. Mortgage brokers should be fairly compensated for their work. If we are going to make mortgage brokers disclose all of their compensation then we should apply the same rules to other loan originators. It is the only fair thing to do.

Also, please keep in mind that mortgage brokers only make a commission when a loan closes. We counsel thousands of potential borrowers every day without any compensation. Many of the potential customers we talk to every day do not presently qualify for a mortgage loan. We help to educate the public so that they too can enjoy the advantages of the American dream, home ownership.

In summary, I have made two points here:

A mortgage broker cannot give an accurate definition of their compensation prior to loan submission. It is just not possible.

If mortgage brokers have to disclose all of their compensation, then all other loan originators should be held to the same rule

Thank you reading my comments. If you would like to discuss this further, you could reach me on (941) 923-1228.

Regards,

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