From: Josh Simmons <jjs6609@yahoo.com> on 04/01/2008 01:55:04 PM

Subject: Regulation Z

My name is Josh Simmons and I operate in Gainesville, FL. As a licensed Mortgage Broker in the State of Florida I strongly support Regulation Z and proper disclosures to protect the consumer. I have been in the industry for over 10 years and previously was employed with Washington Mutual which I respected for their strict compliance in notifying consumers on exactly what products they were purchasing. However, I feel that the Board of Governors should look at a few of my points in regards to amendments to Regulation Z.

My first point would be that the fine line between a Mortgage Broker Business and a Correspondent Lender or a Mortgage Lender in my State is not much and essentially comes down to assets and licensing fees. Therefore, as a business owner, the operation in which I chose to conduct my business in the same field should be equal amongst the others. For example, as a Correspondent Lender you can close a transaction in your business name and then sell that transaction to a Lender within the alloted time and your disclosure process is different than that of a Mortgage Broker Business. You don't have to disclose the profit that you made from writing and selling the acccount. Furthermore, as a Mortgage Lender you can close a transaction in your business name and chose to service or sell the account to another servicer and once again your disclosure process is different. Also, a Mortgage Broker Business must have all originators licensed Mortgage Brokers which does not apply to Lenders and would seem to me to strengthen the Mortgage Broker Business over the Lender as training and licensing verifies complete education in the industry. A Mortgage Broker Business in its operations table funds a loan in a Lenders name and the Lender has complete control of approval, processing, and funding and verifies all documentation per their policies and procedures. This to me does not give an unfair advantage to a Mortgage Broker but gives a huge advantage to the consumer as the Broker through trial and error will have found the best Lender in which to place the consumer. If you had me create a list of Lenders which are Good and those which I consider Bad and the reasoning behind this you would understand the value of a Mortgage Broker. In essence the Mortgage Broker is largely responsible for creating competition in service and pricing amongst lenders. In addition, competition is created amongst Title Companies, Appraisers, Surveyors, Pest Inspectors, Home Inspectors ect ect. A direct Lender does not give many options as to whom can be hired to preform services related in a Mortgage transaction and most have created their own Title companies and Appraisal services ect ect which eliminates the consumers choice completely and gives them no competition for fees and services.

I feel the Mortgage Broker Business has been unfairly accused of causing problems in the Market and there are alternative ways to fix this. Mortgage Brokers were selling products that were offered by Lenders that were pushing Brokers to sell the products and when I look at the situation I find the Lender equally at fault. Granted I am sure there were a fair share of corrupt Mortgage Brokers but Lenders also have an approval process for Brokers and monitor them on submissions, compliance, and fees ect ect. I feel more than anything the cause of the market problems came more from fraudulent activity than from improper disclosures. Lenders had several programs that were not good for the market and raised the risk of performance. The

Brokers may or may not have knowingly commited fraud by submitting many applications via the Stated Income Stated Assets option that was available to them. This option was meant to streamline a process for qualified borrowers rather than give a product that knowingly could not be afforded. Mix easy credit with artificially low rates and you will get a boom with a very risky profile and performance. Most consumers purchase on payment and not the future prospect of a market. Therefore, something that is adjustable may be affordable today but if the market worsens may not be affordable tomorrow. Once again, I put the fault at the Subprime Lenders who were pushing these products. I specifically remember Lenders pushing the 2/28's and 3/27's a few years ago and when I say pushing I mean representatives encouraging the Broker to select that product. Furthermore, running specials or incentives on those products. I can tell you what we did as a Mortgage Broker Business. We advised our clients that rates were at 40 yr lows which is the best time to chose a 30 yr fixed for a long term stable product. Our records indicate that approximately 1-2% of our business chose the adjustable over the fixed and in most cases those were clients who were not going to own the property past the 2-3 years. Also, a huge problem in my opinion was the fact that most Subprime Lenders at the time were pushing a 2 yr fixed product with a 3 yr prepayment penalty in order to lock the consumer into 1 yr of increased revenues. I see these practices as a problem. Let us keep in mind these are the Lenders that are being bailed out now for their poor decisions and practices and the new amendments target the Broker as being the problem. In contrast changes need to be made but they need to be made starting at the top which would be the Feds and then the Lenders.

Lenders should have fraud protection practices in place and have an application process that will only approve qualified Mortgage Broker Businesses. In addition Lenders need to have disclosures just as Mortgage Brokers do and I would think disclosures for the more risky products such as adjustable rate mortgages should be extensive including a track history of the market over the last 3-5 yrs. This in essence is the feds and the lenders disclosing to the consumer that if they chose a ARM what is the probability of a rate increase. Just as the Servicing Disclosure Statement gives a 3 year track record on servicing. ARM's should show a track record of rates. The booklet and example are not sufficient. On many occassions when suggesting a FRM I have shown a track record of the prime rate which is available online. Dating back to Jan. 1991 prime was at 9.5% and never stooped below 6% until Oct 2001 and went all the way down to 4% in June 2003. If I were a consumer shopping for a Mortgage product or Rate this would be good stuff to know because many would have chosen fixed rates. Most consumers do not know what affects a Mortgage Rate or why they change daily and most expect that when the feds cut the fund rate the Mortgage Rates will go down and that just isn't the case. I feel the Originators for the Lenders should be qualified to negotiate rates and possibly be licensed to do so just as Mortgage Brokers are. In addition Lenders should be responsible for showing exactly what they borrowed the money that they are lending at. The consumer would then know what the mark up of the funds are and can shop according to mark up.

Subprime is practically no more so let us move on to conventional financing but the following can be implemented in what is left of the Subprime market. A cure for the whole problem would be that Lenders set up a compensation to brokers that is not paid by the borrower. A compensation consisting of a flat fee based on the loan amount. The fee does not have to be set and can vary amongst lenders but would create competition for business from Brokers. In addition it would ease the ability to disclose exact fees prior to application and wouldn't be that important as it is not paid by the consumer. This would guarantee the pricing to the consumer to be consistent with the market and also create competition for Service rather than rates. Another effective method would be to cap the pricing or total fees on a transaction which many Lenders are doing today. The system now benefits the Lender most over the consumer and Broker as they are servicing and profiting the most. In most cases a direct Lender will not give the base market rate as they factor in their own expenses which is very similar to how Mortgage Brokers price.

In conclusion, I feel Mortgage Broker Businesses play an important role in the Real Estate transaction market and I feel a great sense of accomplishment when I improve a clients condidtions and I improve a Lenders portfolio with solid performing loans. Thank you in advance for viewing my comments.