From: "Josh Manier" <Josh@shavlikfinancial.com> on 04/01/2008 02:45:03 PM

Subject: Regulation Z

To Whom It May Concern:

After having reviewed the policy changes outlined in Docket No. R-1305, I would like to share the following considerations in light of this legislation is being proposed.

Our firm offers tax preparation, financial services, and mortgage brokerage services in the Minneapolis/St. Paul area. During the twenty-five plus year history of this company, we've always held the client's best interest in highest regard. When the laws changed in Minnesota to require mortgage originators to act as a fiduciary agent of the client, we gladly complied as that had been something we'd felt strongly about before any legislation was brought forth. Furthermore, we fully support Regulation Z which upholds consumers' protection, however we oppose our compensation being restricted as mortgage brokers or unduly over emphasized. We have a solid business model because our thousand plus clients trust our advising, counsel, and financial planning. Making the process for them to work with our company more cumbersome with by disclosing compensation before we even engage in performing our service detracts from the service we are offering. Our clients are fully aware we are honest and competitively priced with our mortgage services, thus their reason for choosing us. We fully support any and all measures to increase training, education, and experience requirements for mortgage originators and increasing the severity of penalties for those who commit acts of financial impropriety.

Having mortgage brokers disclose fees before engaging in performing a service is a detriment to the consumer because their focus is shifted from obtaining a mortgage loan to trying to understand and weigh the amount of compensation that will be received by the broker. Because banks, financial institutions, and other lenders won't have this requirement, they will easily have a competitive advantage over mortgage brokers along with being poised to potentially make even more compensation due to the non-disclosure requirement. Every client we work with signs multiple disclosure forms including the Good Faith Estimate, Mortgage Broker Disclosure, and Agency Disclosure, all of which explain and outline the type and amount of compensation being paid to us as the mortgage broker. This doesn't include all the documentation at the loan closing which also outlines and reiterates the fees paid to us as the mortgage broker. Our clients know what they are being charged already as it is disclosed on multiple times. If this legislation is passed, I would strongly encourage it include any and all banks, lenders, financial institutions. By including these institutions consumers can compare the compensation for every mortgage originator, thus minimizing confusion for the consumer. If our goal is truly to help the consumer, let's keep the focus on what rate and closing costs is the best for them. If the goal is to assist the consumer, make the process plain to every consumer by writing a Federally mandated mortgage handbook of the exact process EVERY mortgage originator in the country must follow. Outline everything from the initial meeting with the consumer all the way through the closing that every single bank, lender, broker, and financial institution will follow. In doing this, all consumer will know exactly how to compare mortgage programs and will be at ease knowing everywhere they go for a mortgage there is uniformity of disclosures and the loan process. Enforce the fulfillment of this law with stringent penalties on those companies who do not comply. Limiting this additional compensation disclosure requirement only to mortgage brokers will give consumers a false sense of reality.

Just because compensation is disclosed doesn't help the consumer determine which loan program is best for them. The consumer will be confused because banks and other lenders don't have to reveal their compensation. This disproportionate perspective will cause consumers to favor banks and other institutions which in most cases will be making the same amount of profit or more on the same loan only because they are not required to give the consumer disclosure of their compensation.
Another consideration to be mindful of is the aspect of the free open market. If one mortgage broker's total compensation is lower than another's, it does not decisively conclude that the interest rate and closings costs to the client will be more favorable by choosing the mortgage broker with the lower total

compensation. The reason being is that mortgage loans are not a fixed price commodity, but their price is based on the free market cost of funds as it balances supply and demand. In my general assessment, consumers have enough difficulty sorting though interest rates, loan programs, and closing costs to add an additional component for their consideration.

Instead of having all mortgage originators disclosure their fee upfront, why don't we legislate that ALL mortgage originator's guarantee that their Good Faith Estimates won't vary from the final HUD1 settlement statement at closing? At the very least, a reasonable threshold should be established. I've heard many stories from clients about other mortgage companies charging thousands of dollars higher in closing costs than what was disclosed on the original Good Faith Estimate. I've heard rates being as much as 1%-2% higher at closing than the original loan paperwork disclosed. Decisively and expeditiously punishing mortgage originators engaging in this type of activity would greatly protect consumers. If interest rates and closing costs can be regulated with enforcement, the free market will work to ensure that if consumers get a couple of different mortgage quotes that they can be assured of obtaining a reasonable loan. Furthermore, all interest rate locks could be legislated to be locked in a minimum period of 60 days, giving ample time for most ALL consumers to be able to close their loan without risk of their interest rate expiring. Interest rate and closing costs are what consumers care about and are concerned with, not going over the mortgage originator's compensation for a fifth time. It doesn't matter what the mortgage originator is or isn't making in terms of compensation provided they are within the applicable state laws, but which lender has the lowest rate and closing costs. To overemphasize the mortgage originator's compensation would cause consumer's to focus on which loan originator is making the least amount of money rather than them as the consumer receiving the lowest interest rate and closing costs. In closing, this matter is typified in terms of an algebra equation. The mortgage originator's compensation is only one variable. The rate and closing costs combined however represent the entirety of the financial equation when it comes to receiving the most competitive and fair mortgage loan. My hope is that this legislation won't make consumer's focus on the one variable and adversely loose sight of the more important total equation. If they miss the overall equation we haven't helped consumers, but have added undue complexity to the numbers making them more difficult to understand.

Thank you for your time and consideration in regards to this matter.

Most Respectfully,

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