From: "David O'Donnell" <direct@directmortgageatlanta.com> on 04/01/2008 02:00:04 PM

Subject: Regulation Z

Please consider these impressions as you evaluate the merrit of this bill and it's impact on the industry.

COMMENTS ON DOCKET NO. R-1305 4/01/2008

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I have this opportunity to comment on this bill and understand your objective is to help the consumer make good decisions when applying for a mortgage to purchase a home or to refinance the present mortgage for whatever will better meet his present needs. You hope to equalize competition in fees and rate between all sources available that are competing for this loan. It just happens that this focus only addresses one mortgage source and completely ignores all others and imposes extraordinary stress on consumers and brokers alike. This proposal assumes a consumer should be adequately aware of all sources of broker income and that will make the loan applicant know they are getting the best loan program available in the market.

Both you and I know the lender income is greater than the broker income on every loan. The lender receives a higher yield spread premium, the lender receives a service release premium which the broker does not receive, and the lender receives special incentives the broker does not receive. The lender has more resources and staff to promote and market his loan programs. The broker simply markets the lender's programs. He does not create any loan program. A lender then has both brokers and in house originators charged to distribute his loans. He has money coming in from both channels. And he makes much more money on each loan than a broker. The consumer will not see this because the lender does not disclose his income.

The broker is considered dishonest by the Federal Reserve and this confuses the consumer. Some would rather take the same rate and cost from a lender for the security of not dealing with a broker, even though the broker would provide better service and follow up assistance after the loan is closed. Brokers increase their business and prosper because they deliver a mortgage with the same rates as lenders and the same costs. There are times when rates and costs are better than a lenders and the broker provides more service starting with the origination.

This disclosure requirement for brokers will hurt the industry and does not benefit the borrower. The proposal will add cost to every broker and the risk of faulty disclosure from the broker will cause considerable unnecessary stress in the business. The brokers that do some volume and promote their business are very vulnerable to errors created in the field and during the processing of every loan. The quality of staff must be extraordinary to keep aware of the accuracy of the disclosure since that determines the revenue the broker receives. The position must be created with a highly paid manager to oversee this activity to insure the brokerage remains profitable throughout the loan process and the proper disclosures are repeatly made to the consumer and the disclosures are properly signed and returned before the loan is underwritten. There must be a careful review of the initial disclosure since it is completed by the originator at the time of application and then revised every time a new issue is discovered during processing. The risk of error is incredible and the penalties for the errors unbearable. The cost of a proper quality control will increase the cost of every loan. This is a cost lenders will not be required to bear. Many small broker shops will close due to this pressure and the competition for the mortgage will decrease opening up the opportunity for lenders to increase the rates and cost of all mortgages.

The broker should have a lower cost base than a lender. That is why we can compete with a lender. We cannot compete when our cost are increased as it will in this situation and the irony is the objectives of the program will not be achieved. Lenders do not need to concern themselves with this expensive quality control activity, only brokers.

Yield Spread Premiums are used by lenders and brokers alike for the same purposes, to cover costs of the transaction and save the consumer out of pocket money at closing. Many times it is the only income received on the transaction after costs are covered. The consumer gets a competitive loan and many times at a much lower cost than a lender provides at the same rate because of the premium yield. But it is difficult to explain the detail of the broker income at the application. Some consumers would wonder why we are going to such great lengths when the bank who just quoted the same rate or even a higher rate did not go into such detail on this topic. This breeds mistrust and could result in a lost application. It is not competition that wins, it is the concern the consumer has about broker income without comparison to lender income that created the problem.

Brokers have been working at a disadvantage vs. lenders for years but it does not compare to the liabilities imposed by this activity. If this is a valuable origination activity that creates a consumer benefit makes all origination activity take responsibility for disclosure, lenders and brokers alike. I am sure you will get a similar concern from the lenders as I am stating now.

I believe there are problems in origination activity. Please be aware it is not the disclosure, it is the uneven nature of the disclosure. Put a broker disclosure on the table along side of a lender disclosure and then the consumer will have an advantage. If everything is equal then service wins the deal. Without the comparison this disclosure makes no sense. It does not help the consumer to make a better loan decision.

You want to do the right thing to protect the consumer .Their must be something that will make it easier for the consumer than having them listen to all the ways brokers create income. It doesn't provide a basis of comparison. It doesn't consider the quality of the origination activity. It does not provide peace of mind or any comfort level. Their must be some alternative to this regulation that will provide the above and will protect the consumer with all mortgage origination activity. All consumers do not want this information. They just want a good mortgage. Those consumers that want to compare should have that right. It could be they are not interested in anyone's income, just there own rates, cost and service like any other industry. Thank you for considering these comments

David O'Donnell