From: "Alan Frost - Effectivities" <afrost@effectivities.com> on 04/02/2008 04:00:04 PM

Subject: Regulation Z

Dear Board of Governors and others of concern:

I am a mortgage banking and real estate consultant and analyst. Twenty-five years ago, when I was a private sector advisor to the Reagan Administration's Task Force on Private Sector Initiatives and USDOL's National Commission on Employment Policy I assisted in authoring the Job Training Partnership Act. It was then a monumental task of bringing government and private sector together for the first time in a legislative partnership. At that time, I formed a personal edict never to offer criticism without offering a potential solution. I wish to offer that here with hopes that it will be viewed with consideration.

It should probably not have to be said since we should all recognize that this an unprecedented time where mortgages loans are often higher than the values securing them. The government has finally realized the economic implications, but mistakenly believes that restrictive mortgage loan underwriting and more definitive disclosure regulation, holding off foreclosures, adjusting interest rates and lending limits, and creating new regulatory agencies and programs like FHA Secure and Project Lifeline or establishing counseling organizations such as New Hope are answers to the real estate inversion problem, or that having a protectionist policy can serve to impede future lending generated debacles. The immediate solutions lie in resetting real estate values, not in restructuring or over-regulating mortgages. Values can only be realigned by foreclosure or other free enterprise, open market solutions, which require investor interaction. Currently real estate investor lending is tight and title aging and flipping policies are too restrictive. Recovery requires industry and government pro-action not knee-jerk reaction from the lending community and government.

While I am generally in favor of the goals of Regulation Z and disclosure to consumers I am acutely aware of overabundance of documents that require consumer acknowledgement and execution. Perpetuation of this practice has not and will not bring the desired effect; duplication of disclosures will only burden the process and overwhelm stressed, document challenged borrowers. I see great merit in federal standardization and simplified regulation of mortgage banking and insurance. Duplication of licensure, requirements or process only muddies the water and appears to be an appeasement of States Rights. Just as the Uniform Commercial Code was necessary for commonality of adjudication, today's States boundaries are only grey lines when we consider globalization of commercial interests. Most States have overburdened budgets and will welcome cost-cutting reform, which will eliminate or allow for downsizing of their departments.

I have also noted some regulatory inequities whereby mortgage brokers are singled out for tighter regulation than originators due to their fiduciary responsibilities. It is of utmost importance in a free enterprise system that standards and competitiveness be maintained across the entire industry; otherwise small business or a specific sector is doomed to a slow death. An association such as the National Association of Mortgage Brokers (NAMB) should provide regulatory input and set broker standards. It should be chartered as the accrediting body under the guidelines of an appropriate federal agency. Self policing has worked well in the education and medical fields.

One last generalization to consider is the influence of globalization. Over-regulation will open doors to foreign competitors that will provide offshore solutions to circumvent your regulations and gain business that would otherwise remain in the U.S. This of course is counter-productive and should be a review point on all items considered for enactment.

I appreciate the opportunity to offer input and will remain available for clarification and refinement of my suggestions.

Wishing you all the best,