From: "Kim Theriault" <kim@westonhill.com> on 04/03/2008 03:00:04 AM

Subject: Regulation Z

Dear Sirs,

I have been a Mortgage Broker for over 20 years and I am greatly saddened by the current housing bubble. As a mortgage professional, I believe the finger of blame can be pointed at everyone from the lender's creative programs and relaxed underwriting standards, to easy money, to the brokers who were more motivated by their own greed, rather than their fiduciary duties to their clients. I also place blame on the buyers/speculators and investors who continue to buy into American Consumerism through their addiction to debt. Americans believe they are entitled to home ownership (even if they can't afford the mortgage), because that is what Madison Avenue and the "Keeping up with the Jones's" propaganda tells them. Irrational exuberance fueled a frenzy to purchase before prices went higher…more demand than supply…..and then the music stopped and so the cycle goes.

Please recall the historical lesson from the Great Depression….the USA suffered mass foreclosures partly because banks only made interest only loans in that era. Didn't the Federal Government create FHA/VA/Fannie Mae to offer amortized loans to the public to guard against this happening again? The re-setting of the 3/5/7 year interest only loans are a major part of today's issue; these borrowers can't qualify to refinance now, as their homes have lost value…the government is attempting to offer new programs, but these borrowers won't qualify, not enough equity = more foreclosures.

How do you protect consumers, you require banks/lenders to offer interest only loans that re-set into a 30 year amortized loan at a fixed rate, not adjustable…or you do away with interest only and offer 40 year amortized. As for stated programs, they serve a niche..but, were abused by buyers/speculators who were hoping to flip properties. Those folks should lose their properties, you can't bail out all of the consumers as it sets a moral dilemma for the future….so, which consumers deserve to be protected? Only those consumers who were unknowingly mislead by their lenders/brokers. How do you enforce it, by creating an enforcement agency like the SEC, whos primary job is to regulate, investigate and stop fraud and abuse by all of those involved in the real estate transaction (Brokers, agents, lenders, appraisers, title and escrow). After all, isn't a home the biggest investment most Americans will ever make in their lifetimes?

I am concerned that there is so much pressure to save the US economy or perhaps to create the illusion that the government is saving the economy, that the political powers that be are pressuring the Federal Reserve to punish someone…and that someone would be mortgage brokers. I believe that the regulations you are proposing under Docket R-1305 will do just that, punish mortgage brokers. I caution you against a knee jerk reaction to this Meltdown by making changes to the Reg-Z or any other regulations that effect only mortgage brokers. If you are going to make changes to the Reg-Z, it should apply to all banks, lenders and brokers equally across the industry. There have been abuses by regulated and unregulated Banks/Lenders and Brokers/Agents in the industry, they could be regulated and prosecuted utilizing current legislation and regulation. But, you are unfairly punishing the rest of us who have ethics, protected our clients and acted professionally through this irrational market.

We certainly want to avoid abuse, bait and switch tactics and the broker's who not only make one point on the front end …but, also add to their income by quietly adding one to three points on the backend through Yield Spread Premiums. Personally, I think Brokers should be limited to 1.5 points on the back as a YSP (if they charge zero points up front) and zero points through the YSP, if they are being paid 1-1.5 points by the consumer. This is how you curtail the greedy, unethical brokers. Not, by passing a regulation that requires that brokers, and only brokers, provide consumers a binding written disclosure of the total dollar amount of their compensation upfront…perhaps a range of fees/compensation would be a fair compromise to both the consumer and the brokers.

Additionally, I would not over react to the sub prime loans by dictating harsh underwriting guidelines, I believe the market will take the steps necessary to better protect itself (now that banks, hedge funds and other countries have been hit with huge losses). But, for anyone in the industry, we know sub prime loans are risky, that's why the lenders received such high rates of return. I would suggest that you protect the consumers with more favorable loan terms that are not so predatory. Do away with prepayment penalties, limit the margin adjustments on the adjustable loans and set loan costs ceilings on the high risk loans.

You may also want to consider making changes to our education system, to add a basic economic, financial and budgeting course to the uneducated masses. As they say, knowledge is power!

Thank you for your consideration.

Sincerely,
Kim Theriault
Westonhill Financial
Mortgage Broker