E-mail Subject Line: Docket No. R-1305

To: The Federal Reserve Board
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From: Kevin Mitchell, TLC Financial Network, Inc.

Dear Federal Reserve Board,

The proposed changes to Reg-Z require that brokers, and only brokers, provide consumers a binding, written disclosure of the total dollar amount of their compensation (including YSP, Origination Fees, Processing Fees, Underwriting Fees and all other fees earned) prior to application. Requiring only brokers to provide such a disclosure will confuse and harm consumers who will mistakenly believe that lenders who don't disclose their compensation are saving them money.

I am truly not surprised that our media and politicians are trying to place blame on only the mortgage broker community. I have been in this business for approximately 20 years now, and have served at all levels, with all groups, direct lenders/banks and brokers. It has been my personal experience that there is a huge "misconception" about who is the qualified group within the industry. First fact: It is widely known that there are more experienced workers at the broker level than at the direct lender/bank level. The biggest reason is because direct lenders/banks don't pay their employees a fair wage. It is a breeding ground full of young, inexperienced, and poorly trained workers. Additionally, it is widely known that it is a "graveyard" for workers that could not perform and compete in the broker community. Second fact: Brokers originate more of the business than direct lenders/banks do. The reason for this is that the consumer ultimately feels more comfortable with a broker, who has the ability to shop the loan application with ALL direct lenders/banks in the NATION. Brokers act as the borrower's advisor, just as a stock broker acts in the same capacity, between the larger investment houses. However, they don't have any regulations or disclosures on how much they are charging you for a "trading fee". Why is that??? Common sense tells you that if you have options and a choice, you have freedom… Isn't this what this great Nation is all about? If you are going to impose new regulations, it would truly be foolish, unfair, and totally irresponsible of the Federal Reserve Board to buy into these preposterous accusations that have been floating around the media and the political arenas.

Requiring brokers to disclose their total compensation as a dollar amount before application will also lead to seat-of-the-pants service estimates based on partial information. A Mortgage Broker will be required to blindly, without adequate underwriting criteria, disclose to a borrower their total dollar compensation for a given loan without the opportunity to make adjustments based on unforeseen circumstances.

This would be another train wreck for the Nation. It is completely IMPOSSIBLE for anyone to quote an applicant anything accurate. This will actually do more damage to the consumer, than good. Isn't it already enough that the YSP (Yield Spread Premium) has to be disclosed within 3 days of the application date? If they don't like it now, they can cancel if they choose. That's the other issue. The media and the politicians want to blame everyone but the consumer, who is ultimately responsible for what they execute and accept. This suggested Reg change is truly embarrassing and insults everyones intelligence. Who comes up with this stuff anyway?

The proposed changes to Reg-Z dictate harsh underwriting guidelines for a new class of higher cost loans, those with APR's that exceed comparable treasury yields by a certain margin: 3% above for first mortgages or 5% for second mortgages. The proposed triggers are far too inclusive and will subject many Jumbo, Alt-A, Agency-Jumbo and FHA loans to these new guidelines, preventing credit worthy borrowers from obtaining financing.

The current credit conditions are already killing off a large amount of activity within the mortgage and real estate industries. The lenders DO NOT need the Federal Reserve Board to impose any stricter guidelines. They are doing a mighty fine job of it themselves, with no help from the Fed. It is currently a "blood bath" out there. There are already "high" quality credit worthy borrowers that are being declined from loan programs that they should normally be able to qualify for. My best description(s) of what is going on out there is it is like throwing water on a gasoline fire, or better yet, smothering someone with a second pillow when they are already being smothered by the first one. Seriously people… Really, who come up with this stuff?

The proposal mandates a written disclaimer from the mortgage broker that states: **"a lender payment to a mortgage broker can influence which loan products and terms the broker offers you, which may not be in your best interest or may be less favorable than you otherwise could obtain"**. Under California state law a mortgage broker has an obligation to make a full and accurate disclosure of the terms of a loan to borrowers and to act always in the utmost good faith toward their principals (borrowers.) The proposed language wrongfully misrepresents the duties a broker owes his client, in probable violation of state law. This is totally FALSE. This is totally opposite to what a mortgage broker is all about. Seriously… Are the BIG banks lining the politician's pockets, in an effort to totally cut out the mortgage broker, so they can earn all the fees from the consumer themselves? This is ALL a total joke!!! All these proposed changes will do is to encourage more fraud, create further mistrust, and undoubtedly will destroy the mortgage business, or what is left of it… It deeply saddens me after 20 years in the business that I even have had to take the time (which is valuable) to respond to this, but it appears to be the ONLY way to put these misinformed advocates in their place…