

**From:** "John Cannata" <JCannata@reliantmtg.com> on 04/08/2008 08:50:05 PM

**Subject:** Regulation Z

Good evening,

My name is John Cannata. I am a Loan Officer in Dallas, Texas. I am writing today to express a concern about Docket No. R-1305

Based on my understanding, there are two key changes that are being proposed which directly impact Mortgage Brokers, but no other areas of origination. Within a transaction, whether Refinance or Purchase, the Mortgage Broker does not always know the YSP. There are many factors which are considered with a lender currently. Lenders currently charge a Fee for the following criteria, which can not always be identified until after an application is taken:

- Credit Score
- Loan to Value Ratio (many times the customer is not aware of the current PB owed)
- Debt-to-Income Ratio (some lenders will require some debt to be paid off)
- FHA compared to Conventional qualifications

A Mortgage Broker serves both the Real Estate Agent as well as the Buyer to ensure they are placed into the appropriate loan program. I agree that there may have been a few bad originators (brokers AND lenders) that placed borrowers in mortgages that did not make sense. Although that was very bad practice, it was not just the responsibility of the Mortgage Broker. If any disclosures are needed, the disclosures should effect ALL originators and not just mortgage brokers.

In addition, there are times where the YSP will pay for certain fees for the customer. Many times, a broker will get a rate for a customer at lower than what the lender will offer PLUS we can provide lower amount of fees to the customer. In that case, the lender will pay a slightly higher YSP so that the customer does not have to pay as many fees and/or does not increase the loan amount to cover the fees.

Because there are many factors into writing a loan, the disclosures can not be completed prior to an application being taken. In addition, many lenders will not allow you to LOCK IN a rate until a loan is submitted to them. It is not until that time that you know the YSP. You may then be able to submit it to the borrower to signature.

Please review your proposal again and come up an another way to protect the consumer. I agree that it DOES need to happen, but this suggest does not appear to be the best option. Someone should definitely sit down and think it all the way through because it does not appear that someone has done this already. I have provided some other suggestions which may or may not assist:

- Have the disclosure completed within 24 hours of the loan being locked. This will ensure that it is still disclosed to the customer.
- Have the disclosures signed prior to closing the loan. This will avoid having to re-disclose if the mortgage company is ever changed and/or if any changes are made to the loan along the way (loan amount, additional fees from lender, changing lenders due to not qualifying with original lender, etc)

The YSP is disclosed to the customer at the time of closing so there aren't any secrets. To not have YSP would allow lenders to charge ANY fees they would like. The brokers have the opportunity to shop around for the customer to ensure they are getting the best deal in the market place. No reason for

ALL Mortgage Brokers to suffer because of some bad loans written years ago by Brokers, Bankers, Lenders, etc. If a disclosure is needed, it should be required by ALL mortgage originators.

There SHOULD be protection for the consumer. This is not the way to do it. There must be other alternatives that can still benefit the consumer and protect them, but not jeopardize business for Mortgage Brokers. Please understand that I am not suggesting that we not disclose. I think that is important. But I am suggesting that we are able to disclose at another time but prior to closing. Prior to closing, we would have all of the final numbers, loan amounts, fees, etc. That will be the right time to disclose. Please also know that NOT all loans are locked into a rate when they complete an application. Many consumers want to wait and see if the Feds will be cutting rates again before committing. Until we lock it in, we can still complete the application, do the appraisal, title, and have an underwriter look over the file. When the time is right, we can lock in the loan and move it to closing.

I thank you for reading my message and wish you the best.

John Cannata  
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Dallas, TX