From: "Viral Joshi" <viral@vicjoshi.com> on 04/07/2008 02:10:03 AM

Subject: Regulation Z

Dear Legislators,

I have recently become aware of the proposed changes to the Reg-Z Truth In Lending disclosure requirements and would like to express my concern regarding the changes as currently worded. Since the sub-prime crisis began and the secondary mortgage markets came to to a grinding halt on 8/2/2007, I have seen a concerted effort by all of the large banks to try and use the mortgage broker and independent loan agents as a scape goat for the mess that the banks themselves created. The banks are the ones who offered products such as sub prime, alternative A paper, stated income, and no doc loans. In 14 years in mortgage lending, I have seen the progression from fully documented loans where the borrower either needed to have down payment or equity in the property to get a conventional loan to bad credit , 100% financing, no income verification loans. It was the banks who changed their lending requirements and were trading these loans on the secondary market to fatten up their profits, not the mortgage broker. We simply provided an outlet for these products to our customer base and in many cases provided these products more cost effectively and certainly with more efficiency than the banks could offer. How convenient for the banks to now blame all their woes on the brokers and try to eliminate us from the business entirely. The new regulations don't require the banks to disclose and the banks have never had to disclose the yield spread premium. The HUD-1 Final Settlement Statement for a loan given by a mortgage broker has always had to disclose the yield spread premium while a bank never had to disclose it. That alone is totally unfair and we the brokers have had to compete in an unfair market throughout all the years that I have been in business. Now, with the new regulations, we the brokers will have to disclose the yield spread up front and that number cannot change even as the loan changes or the market changes. For anyone who has been in our business or understands mortgage products, rates, and the bond market, this is impossible. Rates change daily, sometimes 5 times a day, due to market fluctuations. A rate quote comes with a cost or a rebate (yield spread premium) and that quote is good for that day and sometimes for that hour only. On 1/23/08 I saw rates fall to the lowest point I have ever seen for a matter of two hours, then increase by .75% before the 2 PM PST. How can I quote a rate and a yield spread premium that then changes that much in a matter of a few hours? If I put that morning quote in writing and was not able to lock that rate, I would have pay my borrower thousands of dollars to do that loan. The banks, of course, would be exempt from this type of onerous disclosing.

I admit that there are some bad apples on the mortgage broker side of things. It would be nice if the banks would admit the same on their side and be required to follow the same procedures and guidelines that are being proposed to regulate our industry. When I work with a client, I offer them a spread of rates and discuss the cost associated with the rate(s) offered or the rebate (yield spread premium) offered for those rates. Part of my standard conversation is explaining how I get paid and that they have an option to pay my commission or have the bank pay my commission or to have the bank pay all closing costs and my commission. That is how a no cost refinance is done through the wholesale (broker) channel. Without these options, I fear that many of my clients will choose to go with a bank that does not need to disclose and will get a worse deal that with me because of these draconian disclosing requirements. I encourage all of my clients to shop and if a better deal presents itself, I advise them to take that deal. The proposed changes will again create more misinformation and make it harder for the borrower to know where to get the best deal with the broker having to over disclose and the bank allowed to under disclose. The government is obviously in bed with the banks and the banks have the deep pockets to pay the lobbyists in Washington to drive the small guys out of business. We see who the government is in bed with clearly with the JP Morgan/ Bear Stearns bail out and with a stimulus package that does nothing to help home owners. the conforming loan limit increase is not only temporary but the banks have colluded to keep the rates higher than the normal conforming rates by up to 1% and then increased their Jumbo rates even further. What a joke!

At the end of the day, those of us with the experience and a solid client base will be forced to work for the banks, the banks will get fatter and richer, and the consumer will be the one to get the shaft with few choices and inferior service. I guess the morals of the story are if you can't beat them join them and government and big business are synonymous for each other.

In disgust,

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