



In response to the Federal Reserve proposal – The Rule amending Regulation Z (73 Fed. Reg. 1,672 January 9, 2008) *Docket # R-1305*

Regarding Stated and No Doc. Loans. There are certain instances where the streamline process of not documenting income, assets, employment is a cost effective and efficient means to facilitate the loan process with minimal risk to the investor. With credit score, appraisal, and loan-to-value restrictions, these loans prove a convenience to strong borrowers. Many borrowers have sufficient funds to pay cash for homes, but choose to finance a portion of their home in order to gain tax advantages. These are viable loans that help the market, and provide cash flow to help stimulate. Blanket abolition of these loans would further cripple an already struggling market, and hurt the consumer by limiting their choices. True, the market loosened the guides on these loans which resulted in increased default ratios; however, the guidelines have already been tightened to the point where these loans are severely scrutinized thereby minimizing default losses.

Currently Brokers disclose their yield spread, where Banks and lenders do not. It is not only disclosed at the time of application, but is visible on the HUD closing document. This is discrimination against brokers who have introduced competition into the market, thereby improving the consumer position. If Brokers are forced to identify their exact income early in the process without opportunity to adjust, they would be faced with an impossible task and ultimately over estimate resulting in having the consumer to pay more, and cripple the economy further. The initial disclosure of yield spread had done nothing to assist the consumer or the economy. Borrowers ultimately compare rate, and costs before deciding on their lender. Still, brokers receive more than half of the mortgage business, because they still offer the best deals. Consumers are not as ignorant as the government makes them out to be. Most are savvy buyers who negotiate a fair deal for both themselves and the broker. This rule would not accommodate for the buyer changing programs, loan amounts, or closing costs during the process of the loan, and this would lead to less lending and fewer quality mortgages. Think of the cases where lenders pay borrower's closing costs with yield spreads. These transactions will be too risky in the future with the proposed restrictions.

I have no idea where the 7 year ability to repay has even entered the arena. It is difficult enough to anticipate financial ability 3 years out let alone 7 yrs. What would this accomplish other than ridiculing the mortgage industry further because they cannot predict what will happen in the lives of our consumers. Who could have predicted the number of unemployed mortgage professions and builders 7 years ago. The economy ebbs and flows, and mortgage guidelines are loosened and tightened to assist in these times. We have just gone through a crippling tightening in the industry where consumers are punished if their credit scores are not over 720. They are paying more for loans and receiving less options because of we over extended credit during the past few years.

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I believe we should pull back in order to avoid the current number of defaults in the future, however; swinging the pendulum too far the other way will only prove to stifle the economy, and deny loans to deserving individuals. Let's use common sense here and let the market correct, and move forward more cautiously. We do not need to destroy another industry (Mortgage Brokers) in the process of more regulation and personal political gain.

As far as reducing the high costs guides to 3% and 5%, this is ridiculous. First of all, with the new FNMA and FHLMC guides we are already increasing the costs to quality loans significantly. If we have to count these costs in the high costs, we would never make a profit, and there would be no sense in continuing business. Borrowers will not be able to obtain loans, especially low income borrowers purchasing low priced houses. We already cannot recover costs on small loans, and have no motivation to market to these groups. The calculation for high cost is already so complicated that many investors cannot tell me how it is calculated. I suggest allowing old fashion capitalism and market competition to limit the income of our industry.

In summary, it is important for the Federal Reserve to analyze what they are proposing, and not simply put something on paper that may be completely discriminating to the Broker industry, and harmful to the consumer. Why is it ok for Banks and Lenders to broker loans and make undisclosed money, but Brokers have to be diligent in disclosing every possible dime they make? Being entrepreneurs, brokers typically have more experience in lending than the average banker. They think more outside the box to aid the client in finding the best programs to fit their needs. They are cognizant of the laws, and diligent in providing the best service in order to continue their referral base. It was not the brokers who created and underwrote the loans that are now in default. The government was also to blame by requiring the banks to make it easier for low income individuals who may not have good credit to obtain loans. Many of these loans are the same loans currently in default. It is important to make laws to protect the consumer and stimulate the economy. Please consider the above information before you implement this harmful amendment.

Sincerely,



Sandy Dickinson

President

Dickinson Mortgage and Associates, Inc.