

From: "Sean Krause" <seankrause@verdeofunding.com> on 04/03/2008 01:05:03 PM

Subject: Regulation Z

To: The Federal Reserve Board
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From: Sean Krause
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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. This would have the obvious effect of damaging a brokers personal business, income, and family. At the same time the consumer risks paying more to finance along with being taken advantage of by those lenders who will not be required to disclose their compensation.

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. Mortgage interest rates are affected daily by how mortgage backed securities trade on the bond market. As a result, bank / lender pricing for rates adjust daily as well. If a client does not wish to lock in their rate immediately (float) it would be impossible to know what the total dollar compensation would be. Total compensation only becomes clear when a borrower is ready to lock in an interest rate and the pricing associated with that rate by the bank / lender is available for that specific lock day.

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. Not permitting credit worthy borrowers from obtaining financing steals home ownership away from American families

and hurts the economy by preventing legitimate business from taking place.

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. The language unfavorably positions the mortgage broker’s role in the mind of the client. California RESPA law requires that lender compensation be disclosed already. This disclaimer inaccurately portrays the benefit of using a broker as being a negative thing. Lender payments that are more competitive often yield lower interest rates which are then passed on to borrowers.

Sincerely,

Sean Krause

	Trust...Integrity...Strength	
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