

From: "Vernon Alderson" <vernonalderson@gmail.com> on 04/02/2008 09:25:07 PM

Subject: Regulation Z

To: The Federal Reserve Board

From: Vernon Alderson
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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 is very unfair and incorrect information.

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. Brokers provide the majority of loans in this country. It appears this is to favor direct lenders. Why are they not required to disclose? 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 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. --

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