From: "Michael Wright" <mwright@mcrfinancialgroup.com> on 04/02/2008 09:30:04 PM

Subject: Regulation Z

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 clearly illustrates the favoritism of banks by government. This puts millions of people at risk to not receive the correct information from banks and puts mortgage brokers, not to mention the consumer at a huge disadvantage. I have been a mortgage banker and a mortgage broker. I am all about reform and licensing but I am not for blatant tactics to put mortgage brokers and consumers at a disadvantage. How is this fair to the consumer? I walk into a bank and I'm sold a product that doesn't disclose or allow for the consumer to "shop" because they don't have to disclose fees, points, ect.? Totally unfair. Brokers are here to get the best deal for the consumer, not create the perception that we are screwing them and have the mindset to go to the bank where they will get handled. Trust me; the bankers I worked with at First Tennessee were some of the worst. Wake up. This is not a viable solution. I'm licensed, I take continuing education classes, I disclose upfront, and I teach my clients everything there is about the business and what's best for them. Why aren't BANK LOAN OFFICERS REQUIRED to be LICENSED? WHY? SOMEONE EXPLAIN THIS TO ME? Why does an 18 year old kid get to rip someone off without caring what the consequences are for future business and then be patted on the back by his manager that he did a great job raking the profits because the manager gets an override on his production. And then they come to me the next time complaining they got ripped off. BANKS NEED TO BE ON THE SAME PLAYING FIELD if you want to propose this.

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. A loan is never a loan until it closes. People's situations change daily and underwriting criteria changes hourly these days. To accurately tell a customer exactly what they are going to get 30 days from application will NEVER happen. It just doesn't work. The lending business changes and several service people touch the file that could potentially change the approval. There are too many things that change a file from start to finish that could affect the cost not to mention rate decreases and increases without a locked loan by the consumer that affects the overall price. We are a service business and expect to run our businesses like every other tax paying entity, for profit, without someone telling me I'm making too much money.

This proposal is so far off base. We already disclose all fees as an "estimate" before the loan is submitted. BANKERS do not and never have to? EXPLAIN THIS? **<u>WHY isn't YSP Disclosed by Bankers</u>**?

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. This is the same reason why we are still experiencing terrible housing numbers. FHA is the only thing that is going to save this and raising the limits was step one but the disconnect between treasury yields and a consumers ability to repay is outright ridiculous and will limit the availability of credit.

The proposal mandates a written disclaimer from the mortgage broker that states: **<u>"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"</u>**. 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. Regardless, we must disclose which we've been doing for years. We do it the right way. What about language that states that **<u>" a lender payment to our in house loan officer</u>** can influence which loan products and terms **<u>the loan officer</u>** offers you, which may not be in your best interest or may be less favorable than you otherwise could obtain". Either way, this is ridiculous in nature. Our job is to listen to the client, recommend suitable products, and not jam them into products that will make us more money. The good honest brokers/loan officers who treat this as a career do not do this. The rift raft is gone or is almost gone. The good people are still standing but with this verbage and proposals, we again are at a complete disadvantage to competition and to allow this would be reactionary and not proactive. There is a reason why we use YSP, charge Points and fees. It takes money to run a business. The world isn't free. Someone could take this as "you're gouging me", I'm going to the bank down the street, and then we all know that the same guy at the bank doesn't have to disclose the YSP and SRP and they end up getting a worse deal after all if fair competition was available. All of this is so reactionary and useless and does not solve anyone's problems. This creates perceptions that are not good to the honest hard working mortgage brokers and their employees. Please reconsider R-1305

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