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Subject: Regulation Z

Docket No. R-1305

To: The Federal Reserve Board
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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.

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.

With all the changes that the direct lenders are making, it already takes more time than ever before to get a loan funded. In essence the proposal requires all third parties have to give the broker their fees, which can change since the consumers change their minds about loan amounts, the values on the homes may come in at a different value than what the consumer originally thought, causing all figures to change, thus, it can be pure mayhem. Since many of the fees are percentages of the loan amount, the percentages can change at any time due to impound accounts, appraisal values, consumers requesting to increase or decrease their loan amounts, etc. To have to redisclose every time something changes is obscured. There is not enough time in the day to keep changing figures not only for the consumer, but for the brokers, lenders, title companies, escrow companies, appraisal companies, etc.

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.

Thank you.

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