From: "Carlos M. Cojulun" <carlos@ASCENSIONmortgage.com> on 04/02/2008 11:05:04 PM

Subject: Regulation Z

To the Federal Reserve Board,

Your proposed changes to Reg-Z that will require **ONLY BROKERS** to 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 applying for a loan is a step towards further destruction of the real estate market. Requiring **ONLY BROKERS** to provide such a disclosure will confuse and harm consumers. Consumer will mistakenly believe that lenders who don't have to disclose their compensation are saving them money. THIS COULD NOT BE FURTHER FROM THE TRUTH!! I have competed against retail banks and mortgage banks time and time again, and have ALWAYS been able to save my clients money at closing, as well as money in the long run by offering them LOWER INTEREST RATES than the banks would, at a lower cost to the consumer.

Requiring **ONLY BROKERS** to disclose their total compensation (as a dollar amount) before application will also lead to seat-of-the-pants service estimates based on minimal 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. This presents a problem because if the broker provides the binding compensation estimate, and the consumer does not end up qualifying for the loan, who is the one getting hurt? BOTH parties – consumer and broker. So the consumer loses their "dream home" in this purchase transaction because they cannot qualify for this loan program, and we can't change them into another program because the compensation will undoubtedly change. The disappointed consumer is then sent into the arms of the waiting mortgage/retail bank, and will gladly pay a much higher interest rate and costs so long as the loan will be approved. **<u>IS THAT HOW YOU INTEND TO PROTECT THE CONSUMER?</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. So you seek to exacerbate the current credit problems are economy is facing?

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. It is obvious that you are clearly “sucking up” to the mortgage banking lobby with this statement. You are simply driving consumers to banks, and encouraging them NOT to work with brokers who can save them money.

The bottom line here is that you have been deceived by the much stronger Banking lobby into believing that the broker is to blame for the mess we are in. In truth, these very same bankers set the guidelines that brokers followed, so who really made the ultimate decision to lend money to those who turned out not to be creditworthy? If you don’t believe me, I would suggest that you require this same Reg Z. change for ALL LOAN OFFICERS – BROKERS and BANK EMPLOYEES. The Banking lobby will spend every last dime they have to KILL this action exceptionally quickly. Do yourselves a favor – protect the consumer, but do NOT remove their options to obtain the best mortgage financing they can get.

We need FAIR and EQUAL regulation in the mortgage industry. When was the last time the Fed “bailed out” a mortgage broker? Protect the consumer in ALL avenues and try to use some judgment before you seek to further vilify the group that the media has chosen as the “scapegoats” for the incompetence of the small oligopoly of companies who control the U.S. credit markets.

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