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Subject: Regulation Z

To the Board of Governors, Federal Reserve,

I am a Mortgage Broker in Los Altos, California and am alarmed that some of the proposed amendments to Reg Z will be detrimental not only to me and other Mortgage Brokers, but to Realtors, and most importantly, to the general population and to home values across the nation.

A. I fully support some of the proposed amendments: specifically I support the early and full disclosure of the compensation (Yield Spread Premiums) to be received by Mortgage Brokers on all mortgage transactions. Since borrowers are the supposed beneficiaries of this disclosure, this information, however, should be provided by ALL mortgage originators (meaning Mortgage Brokers AND Retail Banks, otherwise known as Direct Lenders). It is discriminatory to require Mortgage Brokers to provide this information and NOT require Retail Banks to disclose the same information.

How does this help the Borrower if they are not provided full disclosure from ALL who are in this industry?

PARITY is essential.

ALL loan originators (Retail Banks and Mortgage Brokers) should be required to disclose their compensation similar to the requirement already in place for California Mortgage Brokers.

Other than that, leave Yield Spread Premiums alone.

B. Retail Banks as well as Mortgage Brokers should continue to be allowed to offer mortgages with higher rates in exchange for lowering or eliminating origination costs. This practice is beneficial to borrowers who struggle with finding funds for closing costs (after scraping together a down payment) and borrowers should not be deprived of this option if they choose to use a Mortgage Broker. In California, this is especially true with the high cost of housing.

C. Regarding prohibiting lenders from accepting appraisals ordered by Mortgage Brokers... again, where is the parity?

If the intent is to eliminate faulty or inflated appraisals, then a more realistic approach should be to require an independent review of appraisals or two separate appraisals to ensure consistent results.

D. Regarding classification of loans as high cost loans (HOEPA) if the APR is more than 3% above the corresponding Bond rate, the impact of such a change would essentially eliminate a large part of the borrowing public from obtaining certain types of loans, particularly jumbo loans.

In the real world, very few lenders will make or purchase HOEPA loans because of regulatory and legal liability associated with them.

The result? Fewer and fewer borrowers can obtain a jumbo loan.

Today, for example, the APR could not exceed 6.558%, and in fact virtually all jumbo fixed rate loans have a significantly higher APR. If the existing 5% above Bond rate is lowered to 3%, thousands of prime borrowers will be denied access to options that they need, leading to a reduction in home values across the country. Limiting options limits buyers. Limiting buyers limits home values.

NOTE: the APR can be manipulated and is completely inaccurate when applied to any ARM loan, including up to 10/1 fixed rate loans. A major assumption in the formula for determining APR for a 10/1 loan, is that the interest rate for the final 20 years will be the fully indexed rate using today's index value and that the index will remain constant for those 20 years.

**** Anyone even vaguely familiar with the volatility of ARM indexes knows that this cannot be accurate, therefore it is inaccurate. ****

I appreciate your reconsideration to the above points. It is essential to understand the real ramifications of this legislation and the unintended adverse results for the home buying public if this legislation is not modified.

With regards,

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