From: "Joey Smolensky" <joeys@alending.com> on 04/08/2008 07:30:01 PM

Subject: Regulation Z

Dear Board of Governors,

I have composed this email in response to the Proposed Rule Amending Regulation Z (Truth in Lending and HOEPA). THIS IS NOT A FORM LETTER. I am a Licensed Texas Mortgage Broker with nearly 10 years of residential loan origination experience. Having worked both in the capacity of a Mortgage Broker and Mortgage Banker, I am proud that I ultimately selected to advance my career as a Mortgage Broker due to the added benefits and options I have been able to extend to my borrowers. The spirit of Reg. Z and HOEPA is meant to protect consumers and establish a universal set of guidelines that all lenders should follow to enhance fairness for the consumer. Although the proposed revisions were intended to help, they are actually doing the opposite. Please consider the following.

What is the difference between a Mortgage Broker and a Mortgage Banker? A Broker must adhere to stringent guidelines that vary state to state. This includes, but is not limited to, continuing education, background checks, credit checks, financial net worth requirements, and direct experience requirements. A Banker simply needs to be employed by a Bank to be exempt from all personal requirements. Additionally, Brokers must provide more detailed disclosures already than Bankers, including the disclosure of Yield Spread Premiums which Bankers still earn but do not need to mention. Brokers capture over 50% of loan origination business in the U.S. because they can be more competitive in dollar for dollar rates and fees than their Banker counterparts. Often times, a Broker can add substantially more value to the closing process than a Banker who spends 90% of his or her time opening free checking and savings accounts for their clients.

Regardless of the origination source for a new loan, it is purchased by a Bank/Lender, packaged, and resold to yet another Bank/Lender. Yield Spread Premiums are earned by originators and Banks regardless of whether a Banker or Broker originated the loan. Some major Lenders, like Bank of America Retail, now advertise “No Closing Cost” loans at *well above market interest rates* to droves of unsuspecting consumers. This product is made possible though the application of Yield Spread Premiums which remains undisclosed by the Lender. Why shouldn’t consumers be entitled to know exactly how much of their money Bank of America earns through this type of transaction? Through this distortion, the average consumer now believes they are automatically being ripped off when a Broker or anyone else even suggests that they should pay “closing costs” to obtain a loan. The playing field should be leveled to encompass all Lenders, Brokers and Bankers (and their originating employees) alike.

Lastly, I’d like to touch on the advance disclosure of fees prior to application. The next time you go to your neighborhood auto repair shop, I recommend that you pull your vehicle into the driveway and tell your mechanic that you have a problem. Before you tell him what’s wrong or allow him to place your car on the hydraulic lift, you should ask him to sign a legal disclosure detailing and essentially guaranteeing the nature and exact dollar amount of fees you will incur for your repair. The mechanic is like a Mortgage Broker. He is an honest, hard-working, self-employed, small business owner. He tries to explain to you that he must first diagnose your problem before he offers a solution, but you heard some mechanics are unscrupulous, so you don’t trust him. Instead, you take your vehicle to the car dealership. When you present the same legal disclosure to the dealership, they explain that it doesn’t apply to them because they are backed by a multi-billion dollar brand-name manufacturer who automatically guarantees satisfaction. You feel safe and confident that the dealership will represent your interests and ultimately pay double the cost for the same repair that your neighborhood mechanic could have provided if he had the same opportunity to diagnose your problem. The car dealership is like a Banker. He uses the name and influence of his organization to imply quality, when in-fact, he delivers exactly the same product and service that you could have acquired faster and cheaper through your neighborhood repair shop. I believe this analogy directly correlates to the current proposed revisions of TILA. How does the consumer benefit from this in the end? What happens to the dealership’s charges when all of the small

business auto repair shops have gone out of business?

Thank you for taking the time to consider my comments. I propose that any new legislation should be made applicable to all mortgage loan originators, Bankers and Brokers alike. I support the opinions of the NAMB and feel that the proposed revisions should have a more universal application to cure the problems with the mortgage industry as a whole.

Respectfully submitted,

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