From: "Gail Eazarsky" <gaile@princetoncap.com> on 04/08/2008 07:00:03 PM

Subject: Regulation Z

Board of Governors of the Federal Reserve System
Proposed Rule Amending Regulation Z

1. Proposed Fed Rule Impedes Brokers' Ability to Compete and Hurts Consumers

The Board of Governors of the Federal Reserve System recently proposed amending Regulation Z, which implements the Truth in Lending Act and the Home Ownership and Equity Protection Act.

The proposed Fed Rule would put in place some useful consumer protections, but it also would impose unrealistic disclosure requirements for mortgage brokers. In particular, the proposed Fed rule would require brokers, but not other mortgage originators, to disclose the specific dollar amount which the broker would earn from a transaction, including yield spread premiums prior to consumer submitting an application. That disclosure would have to be made before the consumer paid any fee to any person, and before submitting an application. Without an application, income information, loan amount, credit score, etc. how are we to determine the interest rate and fee structure? And then Brokers may only receive compensation disclosed in that manner. If there is no such disclosure, the mortgage brokers cannot be paid by any amount by any party, lender or borrower. Again, without an application how are we to determine?

HUD already requires disclosure of yield spread premiums in both the GFE and HUD-1. However, the Fed believes additional disclosure is needed from brokers, but not other originators, to protect consumers because, the Fed claims, consumers believe that brokers are a "trusted advisor" who are bound to get the best possible deal for borrowers, but do not view other originators in the same way? (See Bank Products and Profits below.) The Fed has taken this position even though exhaustive studies of mortgage disclosures by the Federal Trade Commission, the government's principal consumer protection agency, in 2004 and 2007 show that additional disclosures of mortgage broker compensation created confusion, caused consumers to choose more expensive loans, led to a bias against broker-assisted transactions, and impeded competition, thus hurting consumers.

I have been in lending for almost 25 years and have served my customers while "employed by" Banks, Mortgage Brokers and Mortgage Banks. I best serve my customers as a Mortgage Bank and Mortgage Broker. A Bank does not serve the client, a Bank serves their stock holders. I left the Banks after being told by upper management that "X mortgage loan product is most profitable of all of our loan products so you will sell this product to your clients". I agree that most Bank Originators are not "trusted advisors" and if additional disclosure is required from Mortgage Brokers then Banks should be required to disclose upfront to the client the profit margins on each of their loan products so the client can determine if a Bank Loan Officer is steering the client toward a loan product not because it is the best mortgage product for the client but due to management's request that the Loan Officer sell that product to the client to benefit a Bank's profit needs. As a Loan Officer of a Mortgage Bank and/or Mortgage Broker I am "employed" by the client to assist the client in making a decision as to the best mortgage product for their specific needs and then shop for the best interest rate, point and fee structure offered by all Banks and investors for that specific loan product.

Please feel free to contact me for further conversation as to this or any other matters pertaining to mortgage lending to the consumer. Thank you for your time and consideration.

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