From: Khlandmark2@aol.com on 04/07/2008 11:55:02 AM

Subject: Regulation Z

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Dear Board Members,

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 significant burdens on 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. That disclosure would have to be made *before* the consumer paid any fee to any person, *and* before submitting an application. 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.

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. 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.

The average American consumer is currently scrutinized more now than ever before as far as qualifying for home loans. The credit score, risk-based pricing now implemented by both Government sponsored entities, Fannie and Freddie imposes nearly a 1.5% increase in interest rate to the consumer that last year the same client with the same scores would not have incurred. The scoring system and the companies available to tarnish a consumer's credit are not perfect. Mistakes are made reporting and with the credit bureaus themselves that can enforce a borrower to pay much higher interest rates than they should be paying. More and more banking institutions are imposing higher "scores" to lend to marginal credit borrowers for all loan types, even Government insured loans like VA, Rural Housing (Farmers Home Administration), and FHA, which have no score requirements, require strong credit scores to be considered for a loan by the local banks. Mortgage Brokers have the ability to shop nationwide banking institutions and lenders to offer the national programs locally to needed families looking to secure financing

for the "American Dream."
I agree that all lending institutions should disclose as close to the facts of the transactions as soon as possible to borrowers. I feel that ALL institutions should be disclosing these loan features and facts, not just mortgage brokers. I agree with protecting consumers with their transactions, but not at the cost of eliminating a viable source of lending from the mix of competition.
I encourage the board to consider all alternatives to create a consumer-friendly and simple method that all consumers of all education levels can understand without negatively effecting the options that all consumers have.

I appreciate this opportunity to voice my and many more people's opinions on this very important issue facing our great nation. May God Bless America.

Sincerely,

Kelly Hayes