

**From:** Larry Shutes <larryd002y@yahoo.com> on 04/03/2008 09:45:03 PM

**Subject:** Regulation Z

I have been in the mortgage industry for over 35 years and I am not sure you folks really understand the position a mortgage broker holds in the overall scheme of the industry. You, the regulators and the banks, keep telling the citizens brokers are responsible for the mortgages being bad and people loosing thier home to foreclosure. Do you not understand that we brokers have absolutley nothing to do with the decission to approve a loan or not..? All we do is collect documentation as per the bankers instructions to submit to them and they, per our contracts, have the sole authority to approve or reject the loans. The problem comes when the underwriters, employes by the bankers, have not followed the underwriting guidelines established and handed down from the secondary markets. To further complicate the problem, the secondary markets stopped doing their do diligent quality control checks. Combine these two major oversites and you have the problem we have today. The brokers are not nor have we ever been a party to these two levels of the mortgage industry therefore, how can you label us as the problem. When it comes to the products, 2/28, Interest only, Negative amortization, etc., we brokers put consumer loan packages together only for products the bankers wanted as was shown to us in their daily rate sheets.

As for the disclosure of fees issue. We have a rule in place here in Washington that would eliminate the bate and switch, higher fees and changed programs at the closing. First of all, all loan applications should be taken face to face. Originators should go to their clients for a face to face interview if the clients are within 60 miles of the office. The first items that should be explained to and accepted by the client is the original good faitn estimate and the truth in lending statement. No other documents are discussed or signed untill the good faith and truth in lending have been accepted. If there are any changes to the original good faith, which may cause a changes in the truth in lending statement also, the originator must have another face to face with the client at least 3 days before the client goes to escrow to sign final papers and explain and have the client sign a final, corrected good faith estimate and truth in lending statement. The items on the HUD 1, closing statement, and the final, corrected, signed good faith should be the same. There will be no more suprised at closing. If this is not done, the consumer may hold up closing or may go ahead with the transaction. No matter what the client decides, that illegal file must be sent to the Department of Financial Insitutions the next working day. The Department can make this a madatory rule for all escrow companies, because they oversee the rule making for escrow companies. As it stands, the escrow company is the one that sees this violation all the time but they are not mandated to report the incidents. They will not report them because they do not want to loose future business. If the y are mandated to send the file to DFI, their fear of retribution from the mortgage industry will be mute. DFI says they do not have the man power to police all closings to spot this violation but hey do, in the escrow industry which they govern. There will be very few loans that the numbers will not change before closing. Therefore, the consumers will have a corredted good faith shortly before they go in to sign. Redislosure of the final terms, conditions and costs closer to the signing will be most beneficial for the consumer and wil eliminate the confussion that is so prevelent at the current closings of real estate

transactions today.

In reference to the Yield Spread Premium. This must be disclosed on our good faiths now. The problem is many brokers are not following the rules already in place. Add to the escrow mandate the client's original good faith must be presented at time of signing the final papers. If the YSP is not disclosed properly, that file goes to DFI also for review and disciplinary action. I am all for cleaning up the industry because it has gone sour over the last 15 years. However, the biggest abusers of the RESPA laws are the bankers. We brokers see dozens of good faith estimates from bankers every week. 99% of them illegal and are not full and honest disclosures, many bankers do not issue a good faith or truth in lending statement at all. Whatever rules you come up with, you are not helping the consumers when your rules do not pertain to **ALL ORIGINATORS**!!

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