From: "Mark Wells" <mark@thegreatestrates.com> on 04/08/2008 11:25:04 AM

Subject: Regulation Z

Dear Sirs:

In regard to the proposed changes that R-1305 would initiate in the disclosures required in the mortgage brokerage industry:

Let me state first of all, that I firmly believe that a consumer's interest is always best served by a free market that is as unencumbered as possible by regulatory and bureaucratic oversight. However, recognizing that all markets can be subject to fraudulent practices that affect the consumer, some regulation is necessary in all markets. As a mortgage broker, it is readily apparent that a home is generally a consumer's single largest asset, and a home mortgage loan is typically a consumer's single largest financial transaction. The current RESPA laws require disclosures to a borrower that fully explain the conditions under which money is being lent, and gives them the ability to compare a quote from any lender or broker with another. It is a fair and equitable system because it requires ALL direct lenders and brokers to disclose in an identical way.

The primary problem with the proposed regulation R-1305 is that is does NOT require equitable disclosure. It requires one type of disclosure from a broker and another from a direct lender, putting the broker at a distinct disadvantage. Why should a broker have to disclose his yield spread premium, but a lender does not have to disclose their secondary market credit (the money earned when they sell the paper into the secondary market?). There is absolutely no difference between a broker's yield spread and a lender's secondary market credit. They are both sources of income or compensation for the booking of the loan, and yet the broker must disclose this while the lender does not.

Please note this: Whenever INEQUALITY is allowed into a regulatory system, the consumer is always hurt. Tilting the playing field toward the direct lenders (the banks) means fewer sources of mortgage financing for the consumer, further consolidation of the mortgage business back into the bank's hands, and fewer choices for the consumer. It is LACK of competition that creates the worst environment for the consumer, and that is exactly what R-1305 will create.

The truth of the marketplace is this: Brokers booked only 25% of all mortgage loans when I entered the business in 1990. By 2000, only 10 years later, they booked 68% of all loans. Now this was not happenstance. It means that the MARKET says the broker is a much better vehicle for home financing, and offers more choices at LOWER RATES, and lower fees than the banks ever did. So why skew the market back into the hands of the direct lenders (the banks)? They did not do a good job in 1990 and they are doing nothing different now. It is simply the presence of their political clout and their lobbying juggernaut that even allows such unfair legislation as R-1305 to be considered.

I sincerely hope that in the interests of free market capitalism and an innate sense of fairness, that you will not enact the portion of R-1305 that requires the broker to disclose yield spread premium, but does not require the lender to disclose their secondary market credit in a similar manner. One of two things should happen: drop the disclosure requirement for the broker, or ADD a requirement that the lender disclose their credit.

Mark Wells, Pres.
Preferred Financial Services
311 Pettigru St
Greenville, SC 29601
(864) 235-9596

Mark@TheGreatestRates.com