From: "Ryan C. Dodson" <rcdodson@ogmfs.com> on 04/08/2008 01:10:03 PM

Subject: Regulation Z

To Whom it May Concern:

I am still having a difficult time trying to figure out why banking regulations are being proposed that ONLY affect mortgage brokers and wholesale loan originators. Most of the proposals would preclude mortgage brokers from operating on a partial playing field with banks, thereby driving more business towards retail institutions. This would eliminate the competitive nature of the mortgage business and only "bank-worthy" individuals with high credit scores would be able to get loans.

It is unfair and reckless to assume that all mortgage brokers are "bad eggs" and that all "sub-prime" borrowers are not worthy to own a home without an unreasonable down-payment. This legislation is essentially enforcing this misconception.

The APR triggers of 3% and 5% for first and second lien mortgages would cause many mortgages in America to be deemed as "higher cost" loans, and the disconnect between mortgage rates and the treasuries would further magnify that problem. This is another rule that steers clients towards banks and away from brokers.

Also, forcing mortgage brokers to document all sources of income based on a dollar amount, rather than a percentage, is unreasonable. Auto salespeople are not required to disclose how much higher the sticker price is than the base price from the manufacturer and it is much the same with mortgage brokers. The bottom line is that the client always has the option of shopping their loan and choosing the best deal. In addition, requested loan amounts are changed by the borrower with regularity, and expressing fees as a percentage results in lower fees when the borrower requests a lower loan amount. It is also much easier for borrowers to compare multiple offers from multiple sources when they are expressed as a percentage. What follows is a Letter to the Editor of the Lancaster New Era which I had published last week addressing the continued stereotype of the mortgage broker as a heartless and conniving criminal:

Pardon me for being curt, but the media has been discussing "yield spread premiums" for over five years now and STILL fails to recognize exactly what it is. YSP is NOT a fee paid "for steering customers to particular lenders" which is "bad for prospective homebuyers." To clarify, again, and probably not for the last time, brokers use YSP to compete with banks and offer the customer a better loan. Banks charge lower "front-end" fees but brokers offer lower interest rates and often YSP is the only way to earn an income when competing with a bank loan. All clients have the option to shop their loan to different brokers and banks, selecting the company with the best terms and the best service. So if I earn a clients business by offering a 6% interest rate, I have the option of sending the loan to 25 different lenders who offer a 6% interest rate. Ultimately, I will select the lender that offers the best service, the best yield spread, the easiest underwriting standards, or a combination of those three qualities. The bottom line is that the rate is ALWAYS 6%, the client CHOSE to work with me after speaking with other companies, and the borrower gets the BEST deal regardless of what I can get the lender to pay me. I think it is time to stop blaming mortgage brokers for the downfall of the mortgage industry and spread the finger-pointing to ALL of the responsible parties, INCLUDING the consumer who has somehow managed to avoid any responsibility at all.

Last of all, asking the originator to determine the borrower's ability to repay the loan during the next seven years is absurd. No human can account for changes to one's employment security, let alone the other great changes in a person's life, including pregnancy, death, disability, addiction, divorce, etc., etc., etc. On top of that, there are global and national forces at work that affect a person's ability to pay their debt.

So I ask you to please consider these comments from someone who has seen what mortgage brokers can do to help people, first-hand. The market needs our line of work to help those that can not be helped by banks. The market needs our line of work to offer programs that are more aggressive and with better rates than banks can offer. By eliminating this profession, which this legislation would essentially do, would result in drastic and long-term effects that would harm our economy and hundreds of thousands of home-buyers who are no longer eligible to buy a home.

The only way to fix this problem is education and enforcement. Find the rule-breakers and punish them. Not the law-abiding mortgage brokers who have helped lead millions in this country to the American Dream of homeownership.

Kindest regards,

Ryan Dodson
Manager
Old Guard Mortgage and Financial Services, Inc.
802 North Duke Street
Lancaster, PA 17602
Toll-free: (888) 735-0809
Cell phone: (717) 475-0195