From: "MTS Funding" <allfund321@bellsouth.net> on 04/08/2008 01:20:03 PM

Subject: Regulation Z

April 8, 2008

To: Board of Governors of the Federal Reserve

Re: DOCKET #R-1305

My name is Michael Sarver from Mandeville, Louisiana. I am a mortgage broker licensed by the State of Louisiana. I have 13 years overall experience in the mortgage business. I pride myself on serving the industry by originating quality loans. I applaud the leadership provided by the Federal Reserve in establishing new rules to protect homeowners and potential homebuyers throughout the loan process. I wish to convey a few points in this letter that I believe are of critical importance to this industry and its future.

First, the proposal to modify Regulation Z to protect homeowners is long overdue. I believe simplifying the lending process will have a much larger effect than just garnering a basic understanding of the loan process by each individual borrower. More importantly, I think it will restore the people's confidence in the home loan process in general, and thus have a stabilizing effect on the tumultuous market forces currently wreaking havoc on the secondary market. In contrast to a fearful public, people who no longer fear the age-old "unknown", arduous, and complex process will turn the momentum around in this market we see today. So, thank you for revamping and revising the old and antiquated disclosures.

Second, in addition to revising old disclosures your task is to be certain that everyone is treated justly and fairly. Not only is justice and fairness good for the people who borrow money, but also for those people who work in the industry that provides financing for those same borrowers. Equality before the law is paramount in our country. Therefore, disclosures should be the same for each institution that initiates a loan for a borrower. Given that most consumers don't really know the difference between a mortgage broker, a mortgage banker, a mortgage lender, and a typical bank (as it relates to obtaining a home loan), legislating different disclosures (and/or requirements) for different institutions seems to be part of the problem we are mutually seeking to correct. Therefore, a simple set of new disclosures that are the same (in look and feel) from one lender to another is what is needed. Requiring one party to disclose more or less than the other is making distinctions between them and giving one party advantage over another. More specifically, singling out the requirement of the yield spread premium disclosure by only mortgage brokers is inherently discriminatory. If one party has to disclose it, then all should. Further, if some don't have to disclose it, then all shouldn't. That can easily solve the argument of disclosure. All the above mentioned players in the industry have sold loans before, and they have all received the yield spread premium (or service release premium, etc…). So, whether or not there is an immediate intent to sell the loan
(as is usually the case of a mortgage broker or banker), or whether that sale of the loan is to be delayed for some reason (since mortgage lenders and banks may choose to service the loan for a

short period of time before packaging a bulk or bundle of loans to be sold on the secondary market) is immaterial to the requirement to disclose at least an estimate of the anticipated premium to be earned from the sale (today or in the future). This point is moot if no future disclosure is needed by all players, which I contend to be the easiest solution.

In the event that the Federal Reserve Board decides future disclosure of yield spread premium (YSP) is a must (and hopefully done so in a non-discriminatory fashion by requiring ALL originators to do so), requiring the originator to list the exact dollar amount of the anticipated premium prior to submitting the application is a most impossible task. Certainly, in a perfect world where there is no question, issue or change, that proposition would be fine. However, most every loan goes through some form of change that may necessitate a subsequent change in the initial pricing (YSP). For example, what if the borrower isn't timely in their response to requests for critical loan information and the lock expires, thus changing pricing due to re-locks or extensions? What if the appraiser is delayed due to unforeseen appraisal conditions put forth by the lender, in order to establish value consistent with FNMA/Freddie guidelines necessitating a lock extension? What if the pricing (YSP) is set and upon further scrutiny the borrower was not able to qualify for the larger home and thus chose a smaller one thereby reducing the YSP? What if the down payment changes, thus reducing (or increasing) the loan amount and the corresponding YSP? What if the borrower decides to change from a 30 year loan to a 20 year loan mid-stream? There are so many possibilities it will truly be a mind-boggling paperwork nightmare to try and keep pace with every change each loan may encounter and re-disclose each time something changes. And, if discriminatory legislation is enacted requiring only one segment of originators to do this, it creates a huge disadvantage for them. Other originators not required to disclose YSP may take that opportunity to deceive a borrower by pointing out that no such dollar amount is disclosed on their paperwork and give the "appearance" of a better deal, even if they are offering a loan with similar attributes (rate, costs, term, etc…) Plus, the opportunity cost will be tremendous for the unfortunate originator who has to develop a huge paper trail marking each and every change along the way. This certainly does not serve the borrower as they may be getting a better deal from the onset from this originator, but the time consumption process of re-disclosure may unnecessarily frustrate, confuse and anger the borrower, which is the opposite of the Federal Reserve Board's intent today. Therefore, disclosing the YSP in a "range" gives at least some leeway for modest changes in either loan program, home value (LTV), loan size, lock extension, etc…in the same fashion we do today, however the cleanest, clearest (and least discriminatory) picture for the borrower is to alleviate the requirement for any originator to disclose the YSP.

Payment of YSP is a well established market driven concept that investment houses and lenders have used for a long time. Above-par pricing, discounts, and the like are used on a daily basis world-wide. Of course, as the Federal Reserve Board you have a full and complete understanding of this aspect of the finance world. However, YSP has another function that is especially useful in the home loan arena. Closing costs can be paid for the borrower by use of all or part of the YSP. Loans can be closed with no closing costs, especially since the originator can use the YSP to satisfy the above needs, and still generate the needed revenue to run a for-profit entity. YSP has more functions, but, if you decide to eliminate the YSP, many homeowners will have fewer choices in lending, and thus reduce borrowing overall (purchases and refinances). On a macroeconomic scale, that will have a detrimental effect on our economy as a whole. The key is to retain a competitive atmosphere, while protecting the consumer.

In summary, it is good that you have decided to institute more appropriate rules and regulations

to protect the public. Every industry has its bad apples and I applaud your willingness to tackle this issue and root out the unscrupulous originators. However, rules must be instituted that apply to everyone as is consistent with the 14th Amendment to the Constitution. Plus, the flexibility and options that YSP provides to both borrower and lender have allowed many more Americans, young and old, realize the dream of homeownership that would have otherwise been unavailable to them due to limited access to funds, and employing thousands more people who work in fields related to the housing industry.

Thank you for your consideration. Please feel free to contact me at any time. My number is 985-674-1966 and my email address is allfund321@bellsouth.net.

Thanks,

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