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**Subject:** Regulation Z

To whom it may concern:

In case you don't know it, this is 100% in favor of banks and 0% in favor of the consumer. Congress just slammed all loan brokers out of doing FHA loans. This is the same thing. The banks want to shut us down from doing all loans, and for a very good reason. When a consumer walks into a bank and asks about loans, they are told ONLY, that is ONLY what THAT BANK offers. Only what that bank offers.

Banks offer pretty much the same thing in terms of loan programs and rates. However, brokers ALSO work with lenders, which includes not only large banks, but also many smaller lenders that are much more borrower-friendly than the large banks. For example, some lenders do 95% financing, whereas banks such as Chase, WAMU, BofA, etc. etc. do NOT. Some lenders do not require that a consumer have any cash reserves to get a loan. All banks require borrowers to have cash reserves.

And, of course, the bank will quote their rates, and only their rates. If a consumer goes to a loan broker, they get the lowest rate of anyone lender in the country.

Therefore, if a consumer goes to a bank, they will have very few options available to them and they will be paying much higher interest rates, than if they went to loan broker.

Now, the larger institutional lenders know all of this, and they want more business, so what do they do? They use their lobbyists and say come up with legislation that they say is in the consumer's favor, but in reality it overwhelmingly limits the loan programs and low rates that are currently available to the consumer.

What this legislation does is to but huge limits on the ability of a loan broker to do business, while at the same time none of the restrictions that the banks are proposing for loan brokers are being put on them. Let's look at some specifics:

1. The proposed legislation says that the commission for a loan must be disclosed in dollar amount before an application is filed. This is just impossible in the case of a purchase. Here in San Francisco, the price of a condominium unit ranges from about $400,000 to several million. Typically we get a point (one percent of the loan amount) when we do a transaction either from the borrower as an "origination fee" or we get a commission from the lender in the form of a "yield spread premium" or a "rebate." It is virtually impossible to tell them the commission when we have no idea what the loan amount is going to be. So, this provision is simply impossible to implement.
2. Eliminating stated income loans will take many borrowers out of the market. Many of these borrowers are home owners. Many of these borrowers have plenty of income, but it is by way of commissions and other forms of income not allowed to be counted by lenders. This very unfair to borrowers. Finally, since many of the borrowers that are eliminated from qualifying for a loan are existing homeowners, if you think foreclosures are high now, just wait until this kicks in.
3. The provision stating that a lender payment paid to the broker may influence their rate and programs that they are available for is half right. I have no problem with stating that a commission to us will affect their rate. A good broker should be explaining that to a borrower and tell them that they can pay points or pay a slightly higher interest rate and not pay points. However, the compensation does not affect the programs that a borrower is eligible for. It only affects the interest rate and the closing costs.

A good example of legislation meant to help the consumer that hurts the consumer is the three day right of recission on refinances. It is meant to give borrowers time to look over the documents. I have had one client, a federal judge, read the phone book of documents that they get when they get a loan. The main thing that it does is that it allows the lock period to expire before so that the consumer has to pay to have the lock extended. Some benefit for the consumer!!

In conclusion, there are plenty of safeguards on loans. Adding the restrictions and more disclosures that are being proposed are purely in the interest of large institutional banks, and will be highly detrimental to consumers in the following ways:

1. It will take many consumers out of the housing market right when we need them in the housing market
2. It will greatly increase home foreclosures
3. It will result in making consumers pay higher interest rates
4. It will force many consumers to pay higher amounts down then they need to.

In my opinion, this should be killed immediately.

Sincerely:  Miles Grant

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