

**From:** "Gregg Rudenberg" <Gregg@calpacific.com> on 04/03/2008 05:20:01 PM

**Subject:** Regulation Z

**To:** The Federal Reserve Board

Dear Federal Reserve Board:

The proposed changes to Reg-Z requires only brokers provide consumers with a binding written disclosure of the total dollar amount of their compensation (including origination, yield spread premiums, processing, etc.) prior to application. Requiring only brokers to provide such (not including lenders) will harm consumers. They will believe that lenders who don't disclose fees (because they are not required to) will save them money. Currently, I have 2 clients who have chosen to utilize our services as compared to Countrywide and Bank of America. It seems that their original good faith estimates didn't include their "real" fees once they found out that the borrowers didn't quite fit into the loan parameters they originally quoted. What this rule is saying is that if we cannot deliver a quoted program due to no fault of our own—or finding out that the borrower did not fully disclose all items, that we are held to an original quote though we may not be able to deliver. Countrywide has always provided "bait and switch" tactics and I have capitalized on many of their retail loan officers "misquoting" and then not being able to deliver. If we are all on the same playing field, wouldn't that be in the best interest of consumers?

It is on a daily basis that I am quoting borrowers based on information that they have provided me. Yesterday, I was quoting a 50% loan to value loan (based on borrower estimate of value) and based on a 720 FICO score. After discussing values with 3 appraisers, and pulling credit, my actual loan appears to be an 80% loan with credit scores of 640. Obviously, this severely affects my ability to deliver my up front quote. However, this blind quote of rate, terms, and cost will be held against me as a mortgage broker. However, if I was working with a direct bank, I would be fully protected from delivering this loan? Again, who is this in the best interest of? Is this really in the best interest of the consumer?

The proposed changes to Reg-Z dictate very hard core underwriting guidelines for a new class of higher cost loans, those with APR's exceeding comparable treasury yields by a large margin. These proposals are far too inclusive and will subject many of the good, credit worthy borrowers from obtaining financing-whether that financing is in the form of jumbo, alt-a, agency-jumbo or FHA loans.

This proposal mandates a written disclaimer from the mortgage broker that states: "a lender payment to a mortgage broker can influence which loan products and terms that the broker offers you, which in turn may not be in your best interest or may be less favorable than you otherwise could obtain." Under California law, a mortgage broker has an obligation to make a full and accurate disclosure of the terms of a loan to

borrowers and to act always in the utmost good faith toward their borrowers. The proposed language wrongfully misrepresents the duties a broker owes to his client, in probable violation of state law.

One of the reasons I left the banking industry (working at American Savings Bank/Washington Mutual) was that the bank paid our commissions based on the product we "sold" to the consumer. They paid us twice as much to push negative amortizing loans and ARMs to borrowers than when we put them into fixed loans. I was criticized for placing people in fixed loans and my income was half of what it could be due to their payout practice and the way they paid out as a bank.

As a mortgage broker, the majority of my loans were fixed loans to consumers, many of whom would come back to me a year or 2 later asking for cash out and changing their payments to interest-only ARMs so they could improve their homes, pay for education, buy cars, or to invest. Bottom line is that needs are always changing, and from time to time borrowers can make changes in their financial direction.

We do have many issues and many problems in our financial industry. Mortgage brokers did not create the instruments that caused these problems. While brokers sold many of these products, weren't the banks on the wholesale side responsible for providing those products for us to sell? Wasn't Wall Street involved in creating these products? Weren't some of the borrowers responsible for their actions in taking out the loans and agreeing to the terms? We as a society have to look in a mirror, and hold ourselves accountable, from the top to bottom. Let's keep the lending industry on even terms and hopefully it will work itself out. It's too easy to point the blame on an easy target such as the coach of a team or a mortgage broker. So why don't you, as a group, look in the mirror and see what you could have done better and put us on the right track to fix the problem?

We are looking to you to make the right moves, just as we look at the President in times of crisis. It is time for you to step up, or as the political candidates say, "time to man up."

Thank you in advance for your actions.

Sincerely,

Gregg Rudenberg