From: "Joe Calzaretta" <jcalzaretta@armeinc.com> on 04/03/2008 05:50:02 PM

Subject: Regulation Z

To whom it may concern:

In reference to the proposed Fed rule listed in the subject line above.

Please note for the record I, and I am sure many others, oppose this rule as it is written.

We feel it is time a true accurate read of the conditions causing the economic troubles related to mortgages and housing in our economy, just cannot agree that this proposed rule will actually bring about the meaningful change that consumers deserve. I am a fan of all the efforts to date that the Federal Reserve Board has taken to address the liquidity issues in the markets as a result of the blowback from over leveraging and creative packaging of these non conforming loan products. Lets look at all the facts with what as a front line service provider we feel will be more appropriate solutions based on the facts.

1. Economic recovery will not come about with misguided rules just to say look what we did, it must have teeth, and bite, but encourage responsible lending with freedoms to find more ways to serve the consumer ethically and with concern for the outcome, not just the compensation. The rules still need to have a positive economic goal in mind. Do not let the pressures of politicians who haven't a clue of the real cause and effect of the crisis force you to do something that misses your real objective of fostering the healthy growth of our economy.
2. Acronyms do not cause foreclosures. Whether an origination source of a mortgage earns their living as a broker through a YSP (yield spread premium) or as a banker through a SRP (service release premium) as a gain on sale from a closed loan the form of compensation and did not cause the problem.
3. Greed way at the end of the line created the environment for the lax underwriting and more and more exotic non-conforming loan offerings. The Loan originators are not the ones responsible for creating the monster, so why are the torch bearing regulators and the citizens they protect at our front door?
4. The market has already changed so why regulate the economy into a corner that will precipitate further decline in home values and a slower recovery for housing.
5. Regulation of the creation of lending products would be a better use of your oversight authority.
6. Provision of simpler more understandable disclosures and Loan originators qualified enough to explain them would have stopped exotic offerings dead in their tracks. The original One Fee shopping mechanism of the previously failed RESPA reform was a good idea, but who blew that one, the mortgage broker?
7. Capitalism vs. Socialism and current laws already in place to handle the bad apples.

The first point in #1 is don't lose sight of your role as it relates to the economy. Yes, I saw them pointing the finger at you today in the Senate hearings, but it is not your fault that Wall Street did not heed your warning in 2004.

#2 The proposed rule in regards to YSP for brokered loans is just plain stupid. We have been disclosing YSP for 15 years and it never stopped over 2000 customers from applying with me, and do you know why? Because the consumer is not dumb, they are great shoppers when the people they ask for advice tell the truth. We earned their business because we always secured better terms for these consumers than the Banks who did not disclose what they were making on their higher rate offerings. Where could YSP or SRP in relation to any consumer's loan be abused and not used in the consumers best interest? It was done when Wall Street got their fingers in the mortgage business and here is how. They manipulated either documentation or Loan to Value to entice loan originators to make bigger and bigger loans while bribing with higher compensation for higher margins at reset time. They were shameless, offering lower and lower teaser rates to entrap the consumer into a false sense of security until reset time.

I could go into great detail and give you great examples and be willing to help with this, so please ask if this info would help. These manipulations were not the fault of FNMA, or FHLMC or FHA or VA, but the hybrid non agency outlets for securitized mortgage funds

#5 Simplifying and setting standards for oversight as to what determines a consumer friendly loan product with sound qualifying criteria to help stimulate our economy and promote homeownership is way more important than how much someone makes on the transaction or how they are paid in the scope you should be focusing on. #3 The greed of the securitization of non agency led to products not in the consumers best interest, and once we as the front line people knew of the product had to offer it or be accused of discrimination, how do we defend that? You are missing the true target of the cause, the end of the line not the front of the line. Do not kill the messenger and the best distribution network to pull the economy back up to its feet. That's right, Mortgage Brokers and Mortgage Bankers. The people left in this game at this point are the professionals who would not do the things many have wrongfully accused our industry for our participation.

#4 We are at a point where 95% of all loans are being written to agency guidelines and you as well as I know they were not the cause of the problems, so why fix something that is not broken. These agencies are known for sound underwriting practices and traditionally have very low delinquency and default rates.

#6 The most troubling aspect of specifically attacking mortgage brokers as the root of all things bad related to lending is that you are most likely going to abolish or severely impair the most consumer friendly source that fosters the greatest amount of competition for the consumers benefit. Brokers are mobile, entrenched in their communities and the most well equipped to get your message of fairness in lending out to the community. We are an Army of people who depend solely on making loans for our living and being at the forefront or cutting edge. I was chosen as a pilot provider of the One Fee disclosure by Freddie Mac when it appeared RESPA would pass this rather than the new and improved confusing GFE out there today. It was a transparent simple solution for a borrower with a guaranteed bottom line. All that I would add to that was a checklist type of disclosure that was signed by the borrower that simply translates into plain English what most boiler plate loan disclosures state. This would verify that the loan originator thoroughly covered the details before application of how a loan worked and that the customer agreed to the benefits and affordability today and in the future. No second guessing and no untrained originators, you have to know what you are selling the people and make sure they agree that it is the best solution for them. People not trained well enough to know this much and not able to provide evidence through their National Licensing Resource that they meet this minimum criteria have no business in this important business of structuring in many cases the largest debt solution for everyday people.

#7 Capitalism is the answer, and trusting professionals along with consumers to use the powers of competition for their collective benefits makes us stronger as a nation. The idiots who created the problem are finished. Nobody is buying their paper, so game over. The agencies with sound underwriting are still standing. The policing has been done because Capitalism prevails. The market set the price for bad paper and it is so low, you better not write any because you own it. Lending is a business and it reacts to market forces faster than any government ever could or will. It is self policing as loans are assets and a non performing asset is a loss. Too many losses and that is why over 200 over creative quick buck artists calling themselves lenders are history. My point is that all that happened without you passing any laws in less than 18 months. We need to get in front of the problems of the future, yet keep the distribution network for capital flowing freely to recover quickly. Don't bow down to the overbearing vote seeking politicians. Every rule they try to pass is more of an impedance than a catalyst. The price fixing, and how much did you make stuff, what is that? That is irrelevant if competitive forces exist and the consumer is given proper disclosure, as they can determine a good deal if they can verify apples to apples during their search. These special interests should be careful about wanting to know how much everyone is making. When you go to the grocery store do you want to know if Del Monte is making .39 on their can of peas vs. the Green Giant making .41 on theirs? I know I don't want to ever see the Senate or House on TV fighting over something this ridiculous. When we see that happening we are through as the greatest capitalistic society ever. This law just sets a precedent of government getting their nose in where it doesn't belong and if they are so hell bent on going this deep then all originators, Bank, Mortgage Banker, Mortgage Broker, Savings and Loan, Credit Union, Wal Mart, whoever must disclose the same. Be fair for once in your rules. After the review and investigations are completed you will see there were many bad apples but they were not all in the same bushels. Be smart about this opportunity and you can make a great difference, be foolish and things will keep contracting and you will cost consumers dearly as lack of competition will inevitably take its bite out of everyone's wallet in a socialistic model.

I would love to help in anyway I can help as I feel I am a great resource with 23 years in the industry, and would love to be a resource if needed. Please contact me if I can be of any help and thanks for allowing us to comment on the proposed rules. I want to support efforts based on substance and resolve to do the right thing rather than provide sound bytes and election year platforms.

Respectfully,

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