

From: "Randolph, Rosemary, 01/09/2008 04:20:05 PM

Subject: Regulation Z

Dear Chairman,

I would like to comment on the proposed changes to Reg Z (TILA). I have been in the mortgage industry now for 19 years and have never seen so much turmoil in the time that I have been in the business.

I think that the disclosures do need to be re-done but at a combined state and federal level. A lot of states place disclosures out there that they think are going to protect the consumer and have only made them more confused as to what they are looking at or not looking at. If you do this at a combined state and federal level this would stop a lot of disclosures that are not needed and stop confusing the borrower as to what they are getting into. Just for an example the state of Massachusetts has 20 plus disclosures that it has in addition to the federal disclosures. While some of these are needed they are addressed in some of the federal disclosures and confuse the borrower as to what they are looking at. This is also intimidating for a borrower because they sign so many disclosures before the loan is closed and then sign again at the closing table. I do feel that some disclosures need to be revamped in a simple format so that consumers and those making the loans can understand them. I was once told that the Wall Street Journal was written on the 9th grade level because this is the most common comprehension of reading in the United States (including executives). As I was reading your 163 page proposal, I began to realize that this is an attorney's dream. There was so much back and forth in the document that one could twist the words to make it say what they want it to say. I could even do a decent job at twisting the words and I do not have a degree in the field of law. If you make something simple for borrowers to understand, those lenders/brokers who are bad for the business would have a hard time trying to convince them that they just need to sign here and initial here without reading the document. I do agree that disclosures need to be looked at and changed and that you don't need a law degree or a formal education to understand them. I also think that education of financing should be taught to everyone.

As I stated earlier I have been in the business for a little while and have been on several sides of the business. I have been on the origination side (and now back to it), the lender side and the investor side, I can tell you that the typical YSP (yield spread premium) paid to a broker/lender was to get that business and was not incorporated into the rate. However there was the option to buy the rate up for the broker/lender to make additional premium on the loan. The first YSP point was a lot cheaper for the lender/investor than to even generate their own business so those who have never been on the side of an honest lender/investor should not say that these rates were higher because that is not a true statement. There is a disclosure out there already that is required to be filled out when the broker receives compensation for the loan. It is called the MLOA (Mortgage Loan Origination Agreement) this tells you the compensation that the broker will receive both from the borrower and the lender/investor, is this not a requirement? Why do we need to make a new disclosure? I personally do not have a problem with the broker/lender to receive compensation if it is properly disclosed, maybe you should police the shops that this is not being done at. So to state my opinion on the YSP, I think that it is still a good thing for everyone it just needs to be properly disclosed and why not use the disclosure that is already in existence and make sure that it is being used.

There was a statement on page 19 of the first paragraph on the page the last sentence that "because originators sell most loans into the secondary market and do not share the risk of default, brokers and lenders have less incentive to ensure consumers can afford their home". This is not an accurate statement as most brokers and lenders sign an agreement that states they will be subject to buy back the loan should it contain fraudulent documentation or if there is a first payment default, so there is a risk that everyone takes on these loans contrary to what the public thinks. It is in the best interest of those making these loans to do their due diligence on the documentation and the borrower because a broker or lender doesn't have the ability to purchase all the loans back from the investor when there is an issue. There were a few companies that may have turned a blind eye to some of these loans and they have paid the

ultimate price of no longer being in existence. This is another area that borrowers need to be better educated, is to let them know "if they can't afford it, don't buy it as you will eventually lose it". So to all of those who believe that brokers and lenders do not take a risk and just make a loan "don't believe it", they do share in the risk. It is those companies that were purchasing some of these loans (Wall Street) should take a better look at what they are offering to purchase and not make it attractive to get loans that people can't afford and take some of the blame. It is not just the mortgage industry that needs to be held accountable here it is all of those involved.

On page 20 it talks about the guidance issued by the federal banking agencies, if there are originators out there that are not subject to the same supervision as other financial institutions they should be made to be under the some kind of supervision or they shouldn't be allowed to originate loans. This would protect everyone, I still don't understand why they are not under supervision. They are providing a financial service and it should be looked at that way. It should not be looked at that they are not collecting deposits so we can't supervise, they are still involved with a monetary transaction and should be supervised.

On the subject of escrows, I believe that people who are in sub-prime loans or even Alt A loans should be required to have escrows and I do not think they should have the option after one year to opt out, I think it should be for a longer period such as 24 months or even 36 months. I also believe that on the TIL it should clearly state that escrows payments are subject to change depending on the amounts of the taxes and insurance for that year. I have had numerous customers think that they were in an adjustable rate (partly do to the media frenzy about adjustable rates and your payment changing) and they were not, they were simply getting their annual escrow analysis and their payment had gone up due to the increase in their taxes and/or insurance. I do not believe that the law should allow anyone to offer a sub-prime loan or Alt A loan without escrows, therefore no one would be able to compete unfairly for the business. If they can't come up with the upfront escrow account how can they all of a sudden become disciplined to pay the taxes or insurance when they do become due? This is because they do not have the mind set to save for those types of bills and since you don't pay taxes monthly you will forget if you are not savvy enough to save therefore you will not be able to meet your obligation to pay or be forced to take out another loan so you do not lose your home. The only solution to those who can't come up with the upfront escrow is to incorporate somehow into the loan or possibly structure it so that they can pay over time to get the padding that they need.

I have personally created a word document for my borrowers (waiting for approval) to help explain the good faith estimate and the truth in lending statement. That way if they weren't paying attention or I did not speak clearly enough they have something to look at when I am not available. If you would like a copy, you may contact me at the numbers below or e-mail me at my home e-mail at randolph_rosemary@yahoo.com

These are my personal opinions and not in anyway the opinions of the company that I work for.

Have a Great Day!

Rose Randolph
Mortgage Loan Officer
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