From: "William Borden" <bill@billborden.com> on 04/08/2008 05:05:03 AM

Subject: Regulation Z

Board Member:

I'm a Mortgage Broker in Arizona. I do not support the current consumer protection goals or the proposed amendments to Regulation Z for several good reasons that have been overlooked or ignored by the majority. I hope that the Federal Reserve Board will consider the consequences of new regulations. Although the intentions are honorable, the consequences of this regulation are more damaging than they appear to be. Please consider the following facts and a fresh new perspective.

The new requirements of giving a precise dollar estimate of fees a broker will charge in a transaction even before an application is submitted is impossible. Also mortgage brokers will not be able to compete fairly with banks that do not have to disclose.

At the time of application, consumers rarely give originators all the answers they need to provide that kind of information. At the time of application, originators usually have not been able to verify the borrower's financial information, how much their property is worth, what documentation they can provide, what loan program they will finally decide on, how many times they'll change their mind on what they want, and so on, ... so it's impossible to know how much the rate or fees will be.

We all know that bank originators make just as much money as brokers. And they make money on yield spread exactly the same way brokers do. But since bankers don't have to disclose yield spread, it appears to consumers that they don't make money by raising the rate and collecting yield spread, - when in fact they do. Except it's 'hidden' from the consumer. Forcing only brokers to disclose puts us at a competitive disadvantage.

Also, even though it sounds like a great idea, having to redisclose fees every time a borrower's loan changes is equally crazy. From start to finish a loan can literal change 20 times!

Having to redisclose would be the same an auto dealer needing to explain how much money they're making on every car a customer tries out. ... Or McDonalds having to explain how much money they're making today on big macs compared to quarter pounders with cheese.

However there is a much bigger concern that no one seems to be addressing.

The recent problems we've seen in the mortgage industry are NOT because mortgage brokers made too much money - or that consumers paid too much. It's because mortgage lenders made loans they shouldn't have made. The slogan was no job, no money, no credit, no problem! And that was true for a couple of years. Almost everyone qualified for something. Some lenders were even offering 125% financing, 95% no doc loans, 100% stated income loans with a 620 fico score, and so on. Also do you think that lenders in Arizona didn't know prices were increasing at 20% per month when the normal was 8% per year?

That's why we have foreclosures and people losing their houses today. Their house is worth considerably less than their mortgage balance. Their payments are higher than rent. They're losing money as property values continue to fall and they have no reason to stay in their house.

Consumers were stupid enough to think that the price increases were going to increase 20% per month forever, and mortgage lenders were stupid enough to lend based on that assumption as well. In their greed, many homebuyers were willing to pay thousands of dollars more than list price!

Mortgage brokers did NOT cause the recent mortgage problem! We did nothing to hurt consumers.

Consumers hurt themselves by paying too much. Therefore putting even more restrictions on us is not going to 'protect' consumers from anything in the future. Consumers will be protected when competition is allowed to flourish without government control.

In a free country, businesses are free to compete and governments do not discriminate against certain industries to 'protect' consumers. Bankers and brokers make money exactly the same way. Brokers can compete fairly with bankers in a free marketplace where

Sincerely,

William Borden
2445 E Geneva Dr
Tempe, AZ 85282