Re: Docket No R-1305

The above legislation is going to make it extremely difficult to obtain mortgage financing which will further affect home values through the United States as well as the overall economy.

Many Jumbo loans (all loans over 417,000) might be considered high risk loans because of the Federal Reserve criteria to determine a high risk loan

California licensed agents and brokers are held to have a fiduciary responsibility to all of their clients per the license. Signing an agreement that says we may not be looking out for the best interest of our client, violates our licensing. This is unfair to single us out when banks are not required to sign the same disclosure. This would add doubt in the mind of our clients as to our motives for helping them get a mortgage. Are other businesses such as insurance, medical and legal required to have the same consumer agreement signed? I think not.

Clients that are self-employed etc… that in the past needed a stated income program will be excluded from future financing opportunities for purchases or refinances if stated income loans are eliminated.

The Federal Reserve has adopted the proposed legislation in order to police the sub-prime industry which they have determined is a major cause to the problems we are facing today in the mortgage industry. The majority of the loans made were prime loans, not sub-prime loans and the new regulations will affect the prime loans as well.

The new regulations would put many mortgage brokers out of business. This would not only limit the consumers financing options but also reeking havoc on any other industry that is supportive of the real estate business, such as realtors, title companies and appraisers.

The mortgage broker has been used as a scapegoat due to the lack of understanding of the working relationship between a broker and a lender. The lenders established the programs and lending criteria's. They allowed for looser underwriting guidelines and they need to accept their share of responsibility. Mortgage brokers have always had to provide 4506-T to most lenders. Lenders who did not require this accepted the risk involved. It is completely unfair to establish regulations that are solely to restrict the way a mortgage broker conduct business. Many bank and direct lenders contributed to the current lending environment and should be equally policed.

The proposed changes to Reg-Z require that brokers, and only brokers, provide consumers a binding, written disclosure of the total dollar amount of their

compensation (including YSP, Origination Fees, Processing Fees, Underwriting Fees and all other fees earned) prior to application. Requiring only brokers to provide such a disclosure will confuse and harm consumers who will mistakenly believe that lenders who don't disclose their compensation are saving them money. I suggest that banks and other lenders have to disclose their fees and compensation as well. I have always disclosed my fees and compensation to my clients showing them the difference in rate if the lender pays me or if they pay me a point. I spend a lot of time educating my client on how the lending industry work . I am tired of seeing how the banks get away with not disclosing that a no closing cost program effect the clients rate as well. There is a lot of good brokers left in the industry and I feel we are doing a good service to the customer. There are bad people in any industry. I feel like the brokers were made the only fall guys in the mortgage meltdown.

Requiring brokers to disclose their total compensation as a dollar amount before application will also lead to seat-of-the-pants service estimates based on partial information. A Mortgage Broker will be required to blindly, without adequate underwriting criteria, disclose to a borrower their total dollar compensation for a given loan without the opportunity to make adjustments based on unforeseen circumstances.

The proposed changes to Reg-Z dictate harsh underwriting guidelines for a new class of higher cost loans, those with APR's that exceed comparable treasury yields by a certain margin: 3% above for first mortgages or 5% for second mortgages. The proposed triggers are far too inclusive and will subject many Jumbo, Alt-A, Agency-Jumbo and FHA loans to these new guidelines, preventing credit worthy borrowers from obtaining financing. .

The 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 the broker offers you, which may not be in your best interest or may be less favorable than you otherwise could obtain"**. Under California state 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 principals (borrowers.) The proposed language wrongfully misrepresents the duties a broker owes his client, probable violation of state law.

Take care,

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