From: Dimitrios Gikas <mgr2281@alliedhomenet.com> on 04/08/2008 09:00:09 AM

Subject: Regulation Z

- My name is Dimitrios Gikas, from Avon, OH. I am the branch manager of Allied Home Mortgage Capital Corporation in Sheffield Village, OH 44035. We are one of the largest mortgage brokers in the country.
- I agree with the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but respectfully oppose the proposal to restrict compensation for mortgage brokers. With all the competition in the mortgage industry there is no need to CAP the pay of the mortgage broker. However IF there is going to be caps on income earned for CLOSED transactions, we need to open it up then and let the mortgage broker make income on NON-CLOSED transactions (charge for time spent on a file, just like any other professional)...IE: you work with someone for 4 to 6 weeks, incur the cost of credit reports, automated underwriting, processors salaries, etc and then they decide to go someplace else or not to do the transaction. This is at the heart of why the costs of doing a loan are "higher" than what one would "think" they should be.
- Some of these new laws will essentially put the mortgage broker out of business (which would leave just the biggest banks in control of the entire industry). This is bad for society and the mortgage industry for **consumers**. The reason being is "WE" keep the big banks prices in line. If they know that brokers are not "shopping" them, what incentive would they have to keep their rates and fees competitive when they know MOST consumers rarely shop. Plus you will have 5 or 6 options for your home loan and the lenders know it, thus it would become like the cellular industry where they keep the prices artificially high because they know their isn't much competition and they will just trade customers every few years.
- In regards to Yield Spread Premiums, they are already disclosed on the GFE and HUD-1. If we are required to add up the fees BEFORE application to compete with a direct lender who does not have to disclose Yield Spread we would be at a severe competitive disadvantage EVEN if our rates and fees were better!
    - An example of this logic would be if Ford decided to open a dealership and go direct to the consumer and local dealership A was REQUIRED to show the invoice AND the "holdbacks" they receive to the consumer all the while Ford doesn't have to show anything to the consumer except the price. Would dealership A be at a disadvantage? Absolutely. The disadvantage has nothing to do with those that "shop" around, it is with those that wouldn't shop UNTIL you show them your profit. Anyone who sees a profit that "seems" large will the shop you to death. What the lawmakers and consumers do not see is the extreme expenses of running a mortgage broker office, if anyone thinks it can be done on $1000 per transaction, you have never run a THIS business before (would anyone like to guess how much in marketing costs there is to find a customer?). I would invite you to come work in my office for 2 weeks just to see how much money does get spent and how hard of a job it is to be a good mortgage broker/loan officer.
    - The banks/lenders would just harp on how much we are making even if our loan

program was BETTER for the consumer. Is this what we really want? The big mess in our industry has nothing to do with how much we made, it was that a LOT of borrowers were put in the WRONG loans and the fact that they didn't verify their income on most of these loans.

- There is really no way to tell who a broker is verse a lender anymore anyway. Technically my company is both. Is it better for my borrower for me to "lend" them the money "direct"? Sometimes yes, sometimes no. This is why if disclosures are to be made by brokers then the same disclosures should be required of lenders as well. It is already confusing enough to most borrowers as it is. MORE confusion is def. not needed.
- Yield Spread Premiums are a very very important part of the mortgage industry and NOT just so brokers can profit more. They help borrowers who are "short" to close or who are upside down in their home.
  - EXAMPLE: Borrower has a $200,000 mortgage, home value is $203,000. FHA loan can be 97.75% of the $203,000 or $198,500 (rounded). They are in an ARM adjusting next month and they want to refinance...THIRD PARTY closing costs are about $2500. This means this borrower is $4000 short to close, they may not have that much money in the bank.....if we charge them say 6.5% which may pay us 3 pts in YSP or $6000..we can CREDIT them the $4000 and still make a $2000 profit on the transaction.
  - This is a win-win-win...
    - win for the borrower, because they locked and fixed at a low rate even though they didn't have the $4000 in the bank.
    - win for the broker because we could help someone and make a small profit.
    - AND MOST IMPORTANT A BIG win for the community because we took someone who was going to have their payment skyrocket and prevented a potential foreclosure.
- It is impossible to give a reasonably precise dollar estimate of fees a broker will charge in a transaction even before an application is submitted because we don't know the prospective borrower’s financial status, transaction details, type of product sought, or amount of loan, all of which may vary as the transaction progresses.....this rule is going to make it HARDER for the honest and ethical brokers out there..because what you are going to get is an OVERPROMISE from the "shady" lenders/brokers out there. If the gov. wants to impose these rules, then give us a hotline to call to report the abuses by other broker/lenders.
- All the above being said....the laws and rules we have in place now are fine for the industry/consumer IF THEY ARE POLICED (how many industries disclose TWO times, then give the customer 3 days to cancel AFTER they close) This is the problem, you can add all the legislation and rules you want, unless someone is policing them it will not matter. The honest/ethical companies are at a disadvantage every time a new law comes in, because we follow them which leads to more disclosures, more processing time, more fall out(customers leaving us because we disclose ALL the costs when someone else is not). The unethical brokers will continue to be so, because there is nothing stopping them. What the FED needs to do is set up a hotline to report bogus GFE's, report the brokers/lenders who lie to get business, national licensing would help, make EVERY

loan officer(both banks and brokers) pass the series 7 test (this test should be a must for any person in the financial industry especially a loan officer..because as a loan officer if you do not understand the bond market you are really doing your borrower a disservice). The lenders are the BIGGEST problem...look at Countrywide, they made so many bad loans they essentially went bankrupt, but did they learn anything?? NO NO and NO, they are still doing NO Doc and Stated Loans, they call it
"Fast and Easy"...well the "Fast and Easy" is why they lost a ton of money on foreclosures and they are STILL doing it. They don't care, they know the government will bail them out and their upper management will make MILLIONS and when the mess hits the fan they will be long gone.

- I would like to Thank the Board of Governors of the Federal Reserve for considering my comments, you are more than welcome to call me anytime at 866-295-9339 ext 706.

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