From: "Melody Manning" <omelody@bellsouth.net> on 04/07/2008 05:15:04 PM

Subject: Regulation Z

Follow up comment….

The requirement that the Originator must determine that the borrower has the ability to repay the mortgage for at least 7 years is asking for a crystal ball reading. I believe this to be unreasonable and impossible to perform. Are you as a borrower willing to guarantee your own ability to repay a loan for seven years?

I also wanted to bring the following to your attention. In today's financial and real estate environment, there should be some serious consequences to the consumer that chooses foreclosure as an option in certain situations. I cannot begin to tell you how many calls I have received from potential borrowers who ask, " Can I buy a house now and just let my other go into foreclosure? I owe more than I can get for it if I sell". Foreclosure is not a solution to the problem and there are little financial consequences to a person who deliberately makes this choice. In many of these cases, the borrower is able to afford the home they currently own, but can see an opportunity to buy at today's market a larger or newer home. This allows them to default on a mortgage, although this may affect their credit for some time (2 to 4 years), they will reap the benefits and profits of the new purchase when the market swings upward.

I know you can see how the consumer must share in the responsibility of the mortgage they gave to the Lender and the promissory note they signed to repay the debt. In whole, not each foreclosure is due to the originator or the lack of disclosure. Implementing more disclosure and restrictions will only add additional burden to the originator's current requirements that only apply to Mortgage Brokers. There must be equal requirements of all originators to bring the Mortgage industry in balance.

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I support 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. Consumers can access the wholesale lending market through our offices and obtain lower rates than going to a local bank or an Internet source. We as Mortgage Brokers provide as an intermediary between Borrowers and Lenders, and the value the Broker adds to the real estate transaction by serving BOTH parties, but representing NEITHER.

We as Brokers must compete with direct lenders, and the distinctions between brokers and lenders have blurred in recent years as lenders themselves typically package and resell loans they originate. The Lenders are in many cases acting as Mortgage Brokers themselves.

Many consumers are largely unable to distinguish between brokers and lenders, which have similar names, use similar signage, and rely on similar advertising.

If you apply the new rule, then this disclosure should apply equally to ALL mortgage originators, Banks and Savings & Loan companies not just brokers.

The yield-spread premiums are much more than just compensation, they are used to pay certain costs and facilitate the loan transaction. Simply, we have all the costs to bring the borrower to the closing table and the Wholesale lender merely offers the rate at a reduction to perform the duties required. There is no other business or industry that requires the amount of profit disclosure or cost disclosure that is currently required in our field. For example: Tell me if the last time anyone who has bought a home and were provided a break-down of all the profits or commissions made to each of the entities, General Contractor/Builder, manager, sales associate or the mark up for the plumbing, electrical, roofing, framing, concrete, appliances, cabinets, the list could go on and on. There is no other business in this free country that is required to provide such disclosure. The consumer merely compares the costs of the home as well as the quality of construction. There are as many options in buying a home as there are in financing.

In the real world, requiring brokers, but not other loan originators, (Banks, Credit Unions, Lenders) to make compensation disclosures enable the brokers' competitors to steer consumers away from brokers, even if brokers offer more favorable loans, rates and fees. You are forcing the mortgage industry back 20 years, when the consumer was held hostage to the Banks and Lenders whims. I still recall when the Banks took 60 days to complete a mortgage transaction and they could change to rate, fees and programs at will, without disclosure. The wholesale lending has allowed Mortgage Brokers to bring Banks into a more consumer friendly environment as well as gave them more options and competitive rates and fees to choose from.

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 no Mortgage Professional can 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. Something as simple as an appraisal fee can vary based on the purchase price. Two appraisals are required for purchases over a certain amount as well as surveys on larger properties. Title expenses can change based on sales price (Owners Policy), loan amount (Lenders Policy), endorsements to the Lenders Policy (Florida Form 9, Alta's) and of course the fees from which ever title company is chosen for the Search, Exam and Closing. We as Brokers currently have all the responsibility to disclose everything we can at application, prior to that, requiring full disclosure is impossible!!!

I am suggesting that the Governors of the Federal Reserve consider alternatives to the proposed regulation that will protect consumers in their dealings with all mortgage originators, and encourage competition on price and service. Please consider any changes to apply to all originators as well as the current required education.

Keep in mind there are truly only three things to consider when shopping for a mortgage:

1. Interest Rate
2. Term of the loan
3. Total (all) costs

Many thanks to the Board of Governors of the Federal Reserve for considering the comments, any questions you may have please feel free to contact me.

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