From: "josephl" <josephl@idealfinancial.com> on 04/07/2008 07:15:02 PM

Subject: Regulation Z

April 7, 2008

In Re: Docket No. R-1305
Proposed Rule Amending Regulation Z (Truth In Lending Act)

Dear Board of Governors of the Federal Reserve System:

Please accept this letter as my position on the Proposed Rule Amending Regulation Z; Docket No. R-1305. I currently am employed by Ideal Financial Services Corp. - Brookfield, Wisconsin, which has been providing Broker services since April 1993. I myself have three years of experience in the mortgage broker industry. I believe I am qualified to submit said position, as I am a Broker licensed to do business in the States of Iowa.

I have reviewed the proposed rule which, as I understand, is proposed in order to provide added protection to the consumer as to disclosure of compensation to Mortgage Brokers. The purpose, to protect the consumer, is admirable. No one in my industry would argue against ensuring that consumers understand their mortgage transaction; it is in the best interests of everyone, the consumer and the Mortgage Broker, that the consumer not only be informed, but understand the costs of their transaction. However, I believe, that the current disclosures provide the same protection without hindering the ability of the Mortgage Broker to provide services to the consumer. As harsh as it will sound, if mortgage brokers are unable to receive compensation then the consumer will not have access to mortgage loans and will not be able to achieve the American Dream of owning a home, as well as the fact that the persons fulfilling these dreams of the home owners would be without ability to pay for their homes their selves.

It is important that everyone remember that Mortgage Brokers provide a service that banks do not. Mortgage Brokers tend to work with consumers who are unable to secure financing to purchase or refinance their home through a bank due to poor credit, a prior bankruptcy or foreclosure, or, simply because the bank does not offer an affordable product for the consumer. If you remove Mortgage Brokers there would be a significant portion of the population, at large, that would not be able to afford to purchase a home. Not to mention the people currently in homes that the banks would not be able to refinance and restructure their dreams if tough times ever did fall upon them.

As you are aware, currently Mortgage Brokers disclose their compensation as well as the yield spread premium on the Good Faith Estimate and the HUD-1. Remember, the Good Faith Estimate is given to the consumer within 3 days of completing an application for a loan; well before the closing of the transaction. The yield spread premium is actually used to cover the costs to facilitate the transaction; it is not straight compensation to the Mortgage Broker.

The most significant concern I have with the Proposed Rule, Docket No.

R-1305, relates to the absence of being able to revise the loan terms which may or may not affect Mortgage Broker compensation. Currently, a Mortgage Broker may revise loan terms, with proper and advanced notice to the consumer. The consumer has a right to reject the revision, and therefore, no harm is done to the consumer.

Anyone who is familiar with the average loan transaction is aware that consumers are not always aware of their financial strength or weakness, may not be aware of outstanding judgments or the impact of a prior bankruptcy that they "forgot to mention" when they first spoke to the Mortgage Broker. When a consumer comes into my office, I ask basic questions, including but not limited to "how is your credit". Consumers have no idea what their credit is, they may say "fine" or even "good", few will say "poor". It is more often than not that a consumer will tell me their credit is fine, but when I run it, it comes back extremely poor. Poor credit will cause the loan product, meaning terms, to change; including compensation to the Mortgage Broker. The Proposed Rule, Docket No. R-1305, would prohibit me from being able to revise the loan terms as well as my compensation. How many Mortgage Brokers will remain in the industry after they lose money on 3 or 4 loan transactions? This may not concern you, however, in the long run, the average Consumer benefits from being able to secure a home, and without Mortgage Brokers, who offer products that banks do not, said average Consumer will not be able to secure a home; who benefits from that?

I fail to see where the Consumer is harmed by the current regulations, which require re-disclosure if loan terms and Mortgage Broker compensation changes during the transaction. We are already required to re-disclose; that re-disclosure provides the Consumer with the option to withdraw the transaction; no one is harmed. I have attached a copy of the current Wisconsin Mortgage Broker Agreement. Said Agreement is required, by state statute, for use by myself (a Mortgage Broker) when I initially meet with a Consumer. If you carefully review the Agreement, you will see that the Consumer is well informed and all necessary disclosures are provided.

Brokers have been able to find the best rates and products for customers for years, and this is limiting our ability to do so by not being able to revise loan terms without re-disclosure. This rule only targets brokers, by targeting brokers you are removing the customer's ability to shop for the best terms. This is targeted to make the playing field
WI already has a very thorough Mortgage Broker Agreement that is state mandated and explains all forms of compensation to a borrower.

Finally, if you truly believe the current regulations do not protect the Consumer, then why not have the Proposed Rule Docket No. R-1305 apply to Mortgage Originators as well? If the intent is to protect the Consumer, then let's also protect the Consumer from Mortgage Originators.

Thank you in advance for your consideration of my position.

Sincerely,

Joseph Liekweg

Joseph Liekweg
Financial Service Advisor
Ideal Financial Services
http://IdealFinancial.com
Toll Free#: 1-877-230-3400
Office#: 515-327-7500
Cell#: 515-556-0780
Fax#: 515-221-1749

"Be the change you wish to see in the world." -Gandhi