From: brianmcon@aol.com on 04/07/2008 10:25:04 PM

Subject: Regulation Z

My name is Brian Connelly. I am a licensed Broker (# 01276137) in San Diego, California. I have worked in the Mortgage Business for over 15 years for both Mortgage Brokers and Mortgage "Banks". I applaud the Fed's goal of increasing consumer protection via the proposed amendments to Regulation Z, but must strongly object to the proposed changes in how Mortgage Brokers disclose compensation <u>even though I currently work for a Mortgage "Bank", that would benefit tremendously from the proposed changes!</u>

I spent my first 7 years in the business working for a small Mortgage Broker in Hawaii. When I moved to San Diego in 1999, I <u>only</u> interviewed with Mortgage Brokers; I did not even consider interviewing with any of the large "direct" lenders such as Countrywide, Bank of America, Washington Mutual, etc. I strongly believed at the time that only a true "Broker" could really provide their clientele truly objective loan programs & options that are always in the best interest of the client. Even at that time, brokers were at a major competitive disadvantage by having to disclose Yield Spread Premium ("YSP"), while direct lenders do not.

The reasoning behind this; that the lender "does not yet know" what their profit (or loss) is on a given loan at a given rate is completely faulty. The ORIGINATOR <u>that the client is dealing with</u> knows EXACTLY what S/HE is going to make, including the YSP, at the time the loan terms are "locked" whether the company they work for is a broker or a lender. So the rate/terms/cost the CLIENT PAYS has nothing to do with how much the lender subsequently makes selling the loan into the secondary market. But I accepted this inherent disadvantage to work for a Broker.

I have worked for the same company, <u>Signature Funding</u> (I am an Associate Broker, not the owner) since 2000. The company has evolved significantly in that time. They began as a Mortgage Broker, grew into a Warehouse “Credit” based lender over time, and now have Joint Ventured with a Bank; becoming in effect a “Deposit” based lender. All of this has been completely transparent to our clients & business partners beyond legal disclosure requirements. The general public is best served by having all 3 of these mortgage sources available competing with each other, and is for the most part completely oblivious to any regulatory differences between these entities.

Now, I feel the inherently instable “credit” based lending platform has almost completely disappeared. (This is a problem that SOMEHOW needs to be solved; the mortgage market of the greatest country on earth can’t just get “shut down” by large lenders pulling the plug whenever they want; there HAS to be a better way for the industry to operate than this or the current alternative of all loans going to FNMA/FHLMC.

The proposed rule changes put the remaining typically smaller “local” mortgage brokers, at an even bigger disadvantage against large national “lenders”, which for all practical purposes will soon be mostly bank / depository lenders.

I feel these proposed rule changes BLATANTLY favor & serve the interest of large nationwide banks by further increasing the disclosure requirements on mortgage brokers while not holding banks and other lenders to the same standard. This will clearly ultimately result in decreasing competition in the mortgage marketplace which is exactly the wrong thing to do in an industry already reeling from the fallout.

I urge the Fed to consider alternatives such as requiring uniform mortgage disclosure for ALL mortgage origination, which would truly create a more level & less complex environment for consumers to be able to compare mortgage loans on an “apples-to-apples” basis.

Thank you very much for your consideration of these comments.

Sincerely,

Brian Connelly
Associate Broker

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