

3/25/08

Comment Letter

RE: Proposed Rule amending Regulation Z (73Fed. Reg. 1672 January 9, 2008)

To Whom It May Concern:

From what I can gather it is my understanding that the main objective of the new proposed Fed Reserve rule is to implement consumer protections and aid the consumer in making a more informed decision regarding his/her mortgage financing needs. However, after reading the rule I would like to comment on the ways in which this rule will not only harm the consumer, in certain instances, but can also bring about the demise of the mortgage broker business as a whole.

I would like to specifically address the idea of making the mortgage lending market more transparent and less confusing to the borrower by requiring only Mortgage Brokers to provide additional disclosures. In my opinion ALL Mortgage Originators should be held to the same standards be they working for a banking entity or a Mortgage Broker and the ALL should have to provide the same set of disclosures. To not do so would make the consumer even more confused by the fact that he/she would obtain a different set of documents from different entities.

Mortgage Brokers provide a very beneficial service to the borrower in the form of consistently lower rates as shown by the 50%+ market share Mortgage Brokers hold in the market at the present time. There are several banks that **broker** their loans to large wholesale lenders and yet with this new rule they will not be held/required to provide the same disclosures as Mortgage Brokers by their title or chartered status. This would be a double standard as some banks are providing the **exact same service** a Mortgage Broker provides. How can this be a fair business or helpful to the borrower?

Both the studies conducted by the FTC in 2004 and in 2007 show, by preponderance of empirical research, that requiring different disclosures from different business entities conducting the same business does nothing more than confuse the consumer and impede competition. Thereby, this Proposed Rule will make it much more likely that consumers will take a more costly mortgage thus burdening them with higher payments and/or fees. Is this not the outcome the Federal Reserve is trying to change? How will more disclosures coming from different sources and not a standard set of disclosures help the consumer make better financial decisions and not worse?

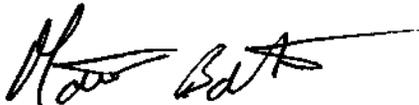
I would also like to address the Loan Origination Fee Agreement that must be given at prior to application. Too many unknowns are present prior to receiving an application and obtaining a credit report. Basing a fee solely upon an initial discussion with a prospective client without first obtaining a credit report and a full application is farcical. Even after taking the application and receiving a credit report it takes time to assess the full picture and the effort, and cost, it will ultimately take to obtain mortgage approval. For this reason alone, the original fee agreement must be based on a range fee quote.

The way the rule is written at present the Mortgage Broker would have to lock the loan in at time of application to deliver the quoted fees, and rate, based on the Good Faith Estimate. This would create severe fallout to the wholesale investors that the Mortgage Broker has a business relationship with as loans can, and do quite often, mutate during the loan process due to changing payoff amounts, appraised values, and the borrower's wishes. What if, for example, a borrower wanted to float his/her rate at time of application hoping for an improving rate environment? If the rates do not get better but worsen then the Mortgage Broker would be held to unrealistic quotes from different market conditions. Another example, would be, if the borrower upon application wanted to simply refinance his first mortgage while re-subordinating his current second mortgage. Then through the course of the application the borrower is shown how it is more beneficial to pay off the second mortgage as well as the first. In this case, due to the loan amount going up and the amount of paperwork involved there would be a higher charge for than originally quoted but due to the unrealistic and unattainable fee expectations set out prior to initial application the borrower would forego this additional benefit.

For these reasons I would like to propose that there would be another alternative disclosure at time of rate lock in that can be compared to the final settlement statement, also know as the HUD 1 showing the exact dollar figure. This would allow for changing market conditions if the consumer wanted to float his/her loan instead of lock at time of application. This would also allow for changes in compensation due to changes in the loan program or other changes beyond the Mortgage Broker's control at time of application.

In summary, if the ultimate goal of this Rule is to preserve and enhance a borrowers rights then ALL Mortgage Originators must be held subject to the same standards and rules of disclosure whether it is a Mortgage Banker or a Mortgage Broker. While I agree that the borrower's should be offered proper disclosures they should be offered ones that allow them to change financing options throughout the process if those changes will benefit their financial position. The disclosures should not limit the Mortgage Originators ability to charge a fair fee for time and effort worked. Limiting competition and shuttering small business is not the way America was made great and this new Rule will do just that. America was built on the backbone of small businesses and with the idea that free market and competition always resulted in lower prices. Passing this Rule will negate such things.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Bobbitt", with a long horizontal flourish extending to the right.

Matt Bobbitt
1600 Glenn Meade Dr
High Point, NC 27265