From: Dennis W. Amaral

Subject: Reg Z - Truth in Lending

Comments:

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Comments:
Dear Federal Reserve; I am hoping that my comments will not fall on deaf ears like a lot of our communications from the public seems to be, but that you will be read and consider all of what I have to say before making any decisions on the issue of compensation to mortgage brokers. I have been involved with the Real Estate industry since 1981 and have been a licensed mortgage broker since 1995 under the California Department of Real Estate, so I have been around the block more than a few times. I am the co-owner and broker of Davis & Amaral Mortgage Consultants, Inc. and may I say in the 14 years we have been in business originating mortgages we have never had a complaint or a law suit filed against our company. I have been following closely the attempts to eliminate or dramatically reduce the broker compensation, or Yield Spread Compensation. First of all may I say I would not be in opposition to this IF ALL loan originators, banks, savings & loans, mortgage brokers, credit unions, anyone who is engaged in the Real Estate lending business would be held to the exact same requirements. Unfortunately most legislation and change is implemented on us, the mortgage broker, and not the banks, savings & loans, etc. I am convinced that these changes are the result of the banking industry attempting to eliminate competition by eliminating the mortgage broker. This is not a good way to go for the consumer. My proof of this is that throughout the country the Banks are pushing for and funding lobbyists to eliminate the Yield Spread Premium and limit the way mortgage brokers are compensated for their loan BUT are making it so that the BANKS are exempt from these rules. Years ago in California everyone who originated loans had to be licensed through the Department Of Real Estate. The banks did not like this and lobbied the state legislature to make them exempt because they didn''t want to hire ''licensed Real Estate agents'' to originate their loans, it was too expensive for them. They wanted to hire anyone to do this job with little or no knowledge of the lending industry, pay them a minimum wage, and not be required to have continuing education like we did and still do. The state legislature was bought

and created the Department Of Corporations which allows the banks to be licensed through the Department of Corporations but their individual originators do not have to be licensed through anyone! If you don''t think that this is their motivation then rewrite this to include ALL REAL ESTATE LOAN ORIGINATORS including Banks to be under these proposed requirements and you will immediately see the banks, who are now for this, will change their stance on the issue and oppose it. Banks receive a YSP (Yield Spread Premium) just like we do, and in addition they often charge points that are above and beyond what the rate they are quoting require. So, what they are doing is getting the YSP and also charging unnecessary points to increase their profit margin. I get excited when I know a client has been talking to a bank and has a good faith estimate from them. I have them send me a copy and I can immediately show the clients where they are getting taken advantage of. A real example of this is a client last week who obtained a good faith estimate from Wells Fargo Bank and it showed them getting a 5.25% rate (which I could get for them without charging any points and still get paid nicely with the YSP) they were being charged 1 point which is 1% of the loan amount or $1,500.00 in excess closing costs. I have the good faith from Wells Fargo if you would like to see it. So Wells Fargo was not only getting a nice YSP but they were charging their client an additional $1,500.00 that would just increase their profit margin. I was able to get them a 5.125% loan with no points, on hidden fees, no origination fee! I will go up against banks all day long but if you change the rules to only apply to us, the mortgage broker, and not the banks the public will be the ultimate victims as this example clearly shows. Make any changes to the rules to be applied TO ALL LOAN ORIGINATORS, BANKS INCLUDED if you do this at all. It has been primarily the banks that have taken advantage of the public, not the mortgage broker. HVCC or Home Value Code Of Conduct was a direct result of a BANK, Washington Mutual, forcing their appraisers to push values higher than the comparable sales justified. When a couple of the appraisers felt it was wrong and did not comply they were terminated and filed a complaint, which they won, that led to HVCC, the mortgage brokers did not do this! There is a law suit currently going on in Boston, Massachusetts filed by the city against Wells Fargo Bank for the loss of revenue due to foreclosures and tax reductions depleting the revenue to Boston. The judge was going to dismiss the case when two ex-Wells Fargo employees came in and testified that they were being forced to put good, sound borrowers ho could easily qualify for a conventional loan or an FHA loan, into sub prime loans which were at higher rates, typically were not 30-year fixed rate loans but were 3/1 ARMS with a 3-year prepayment penalty that were fixed for 3 years and then went to an adjustable rate loan. They started out at a higher interest rate to begin with, and when they recast to the adjustable rate the rate could jump substantially often doubling the clients payments. Wells Fargo Bank were forcing their loan originators to do this because Wells Fargo Bank was making more money on these loans. Now these poor clients can''t refinance out of their homes because values have dropped and they cant make their substantially increased payments and are ending up in foreclosure driving everyone''s home prices down. I would sometimes go to a deli which was near the Bank Of America''s home loan processing center in Rancho Cordova, California, to have a sandwich during the sub prime loan boom and would hear conversations between their

originators about how they were putting clients into sub prime loans instead of conventional or FHA fixed rate loans. They did this because Bank Of America was giving them a bonus if they did, and were bragging about how much money in bonus'' they were making as a result. These are what the BANKS are doing and you want them to be exempt from these proposed changes? It is NOT in the best interest of the client! I have dozens of good faith estimates that clients have brought to me from BANKS that had unreasonable points, loan origination fees, discount fees on loans which I could get the same exact rate, or better, on a 30-year fixed rate loan without any of these additional fees, just on the YSP, which again the banks also got plus the additional fees they were charging. By acquiescing to the Banks pressure to exempt them from the same rules and regulations, you are not going to solve the lending or Real Estate crisis, you are only going to exasperate the problem. You will eliminate the "free market system" and force mortgage brokers, which comprise a huge employment and self-employment section of our jobs in the United States, out of business. It will leave the consumer with fewer or no choices, and allowing just the banks who are already creating the crisis to be their only choice. May I again suggest that you make whatever determinations applicable to ALL loan originators, banks, savings and loans, credit unions, hard money lenders, sub prime lenders and mortgage brokers. Don"t perpetuate a system that makes us compete on an uneven playing field. Create one good faith estimate that will be universally required by all loan originators so that the public can easily compare the fees and the rate from one lender to the next. The one we are using in California is an excellent one and I would be happy to forward a copy to you if you would like. If I may be so bold and not to offend anyone, the problem arises with proposed legislation when the people in control make decisions without being where I am, in the trenches, on the front line, seeing what the consumer is being subjected to. You rely on testimony form a select few, primarily "experts" from the BANKING industry who steer you in the direction they want you to go. You should have town meetings or invite mortgage brokers like myself to participate in conversations and testimony to show the other side of the story. I hope that you have bore with me and that you have made it this far in this correspondence, and if so I commend you for doing so. Please drop me a line and let me know your thoughts on all of this. I have documentation to prove what I am saying is true. Sincerely, Dennis W. Amaral Co-owner and broker of: Davis & Amaral Mortgage Consultants, Inc. (916) 933-9343 dennis@davisandamaral.com