From: "Ted Klumb" <usnm@usnational.com> on 03/31/2008 07:55:04 PM

Subject: Regulation Z

I am writing this to let you know I oppose Docket No. R-1305 the "Proposed Rule Amending Regulation Z". I think that the FRB (Federal Reserve Board) is getting way off course from where I believe was the original intention which was to make the process of obtaining a mortgage more transparent as far as costs involved in purchasing or refinancing a home. I have no problem with disclosing the fees we will be paid as a mortgage broker but this is a hard thing to determine if we are suppose to deliver this before the loan application has been taken. I would assume that it could be modified at a later date and at least 3 days before closing should the program, rate or loan amount change along the way. There are many things that will affect the pricing of a loan. I also would like to suggest if all mortgage brokers are to provide this disclosure then I believe all originators regardless of where they work should disclose the same profits made on each loan. Rather it is Yield Spread Premiums, Service Release Premiums, or Gain on sale whatever it may be called. We all know what costs are involved when the loan is locked rather it be a Federally Chartered Bank or a Savings and Loan or just a Mortgage Brokerage. Commitments are made and it would be naïve to think that the major banks do not know what they are making on each loan. I would like to point out that more often than not I am much more competitive in rates and fees than a Bank would be. That being said brings up the real reason I oppose this new rule which is undue pressure on all mortgage brokers and unfair disclosure since it will not be an even playing field with the major banks. Now remember I pointed out already that I am usually less expensive already, so what is the point of disclosing my total compensation? This should be much simpler.

Here is my idea of where this should have or maybe can still be steered. After all I believe you are trying to get the consumer a type of disclosure that will make it possible to shop their loans comparatively.

1. Note Rate and Term of the loan should be stated.

2. Then the total costs being paid to the lender/bank/broker with no other 3rd party costs (those will all be on the GFE). These are not in our control they are what they are for each type of investor unless they happen to have some ownership in Escrow/Title/Appraisal. Etc then that should have already been disclosed on a different disclosure. Maybe you could provide a list of lender/bank/broker fees that would be acceptable to charge and not let anyone charge something outside of them. This would be the same for the whole country, everyone. Keep it simple. (if banks do not disclose YSP then nobody should you are only confusing the people you are trying to help!) It should be as easy as buying an object in this case a Note Rate (object) for a specific period of time. Rather it be a 30 year fixed rate, 15 year fixed rate, 1 year ARM, 7 year ARM etc. and the costs paid to the lender/bank/broker to obtain that rate. If the lender/bank/broker is not competitive he will not get the loan. If the lender/bank/broker is getting too much YSP then it will not be competitive (rate too high) and they will lose the loan!

3. If this could be put on one sheet of paper then borrowers could just compare the different quotes from as many lenders/banks/brokers as they want. It should be as easy as comparing the Note Rate and the cost that it costs to get that note rate. This form should be drafted by the FRB and not be allowed to be changed to be a specific disclosure for an individual lender. What I mean is it should be just like the TIL clean and precise everyone uses the same form. As I am sure you are aware there are many different layouts for the Good Faith Estimates. This should also be consistent but that is another issue.

4. I also believe there could be a Hybrid APR function amortizing the costs of the loan over a shorter period lets say a 7 or 10 year period since that is more reflective for most loans than doing it over a 30 year amortizing period. Most people will either sell buy or refinance again within that period. Borrowers do not understand what the APR really is anyway. A quick example of why is that if you take a low 30 year note rate say with 5 points origination and or discount along with the other costs the APR looks great but you probably have to stay in you home 20+ years to make that investment back. My only point here is that for most people the APR is irrelevant if they are going to shop by APR alone. It can be manipulated by paying huge fees upfront but needs to run the full amortizing period to reap the benefit. The borrower would probably be better off taking a higher note rate and less upfront fees. There is a trade off and that is really our job to explain that.

5. Regarding the GFE I believe there should be just one format that should be used for all lenders. It should be generic for all so that it does not look different from one lender to the next.

My last comment would be that this seems to be targeted directly at the mortgage brokers with the intent on hurting the industry and ultimately putting all the originating back into the banking system. I have had clients look at my GFE for example where I may have been at 6% on a 30 year fixed rate and lets say B of A was at 6.25% with virtually the same fees/expenses within +/- $250.00 in costs but my client thought that B of A was making less on the loan than I was (remember the higher the note rate the more yield spread premium or service release premiums or gain on sale there would be on that loan). I still have no idea why people think that the banks are doing this for nothing and brokers are making all the money. It really needs to come down to what is the Note Rate and what costs did you pay for it. The note rate is our product we are selling.

Why are banks so reluctant to state what they make on each loan? After all we are basically selling it to them at the wholesale level which they in turn for the most part bulk up and sale for another profit to other investors. I can go out on a limb here and state emphatically that the major banks that we sell our loans to are not selling us rates at a loss! I would also be remiss if I didn't point out that I am sure they know what they are making on each loan they originate. Someone is pricing out there in-house rates with a definite profit in mind. I agree that the originators don't know what the bank is making and that I am sure is why they do not want to disclose that information. This is about the only industry I can think of that the public will know exactly what we sell our products for and what the profit is going to be on that product and I think all originators rather it be lender/bank/broker should have to disclose it not only the mortgage broker/originators.

I hope this makes sense and you look over your proposals. It seems like everyone is just shooting from the hip and mortgage brokers are in the cross hairs. I just want to point out that many of us that have been doing this for many, many years were just shaking our heads at the loan programs that were being offered. Please do not put all the blame on our industry as there is plenty to go around. Unfortunately or fortunately (depending on how you look at it) we were not in control of any underwriting guidelines that were developed but it looks like we are going to get the blame for them.

SIMPLE, SIMPLE, SIMPLE This proposed rule will just confuse the public even more. This needs to be the same for everyone so that the average homeowner can go out and shop a loan program and price without getting a PHD in finance to figure out what is the difference between going to a mortgage broker, mortgage banker or even a Savings & Loan. We all sell the same products. Brokers are the only ones that disclose Yield Spread Premiums (all get them) which is fine but as far as this new disclosure you need to make it as simple as possible…The consumer needs something they can use to compare when they shop, not to just confuse with what we are making on the loan when the real importance should be what they are getting and how much it cost to get it. Throwing more confusing paperwork at an already confusing problem just doesn't seem like the answer.

Thank you for taking the time to review my comments. I just think there has to be a better way.

Sincerely,

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