From: Mortgage Mutt <ravincamp1@yahoo.com> on 04/08/2008 01:05:03 PM

Subject: Regulation Z

These comments are written to you in an effort to help regulators understand the mortgage brokerage business, a business which I have been honored to be a part of for more than 20 years. Let me first explain to you that this is a business about people, NOT money. This business is what puts people into homes, where children are raised. I agree that there have been brokers involved in fraudulent activities. Those are the ones that give the "lifers" a bad name.

After reading the proposed changes, I am trying to understand just how this is going to help protect the consumer. First of all, we do the same thing that any bank does when a person comes in or calls to inquire about a mortgage. The big difference is that we have many menus to help the borrower choose from, whereas a bank will only have their own. To require that we disclose certain costs (which we always do) and the banks NOT disclose them is very unfair. I wish there was someone who could help me understand the reasoning behind this! We have nothing to hide, and its just a license for the banks to be legally sneaky. We redisclose prior to closing when all figures are verified (such as payoffs and costs pertaining to title which we have no control over) so that there are no surprises at closing, while the banks don't disclose ysp! This is outright discrimination. Why not be fair and require both sides of the lending community operate the same?

To ask Brokers to disclose fees and/or charges before there is any information checked is like closing your eyes and trying to pin the tail on the donkey! Why put the borrower through this upfront disclosure which is a guess, then disclose what is real when more information is given? And what would you call it, a Good Faith Guestimate? What you are proposing is not helpful to the consumer, and is very confusing. You would need a Crystal Ball to forecast a program to fit a borrower in order to quote costs! (If you know how I can get one of those, let me know. I want to be in THAT business instead).

The issue of self employed and business owners have historically always raised the issue of how to qualify for a mortgage. When these loans first came about, the intent was not to fraud, but to make a good loan better. We knew that a Dr. would earn a lot of income, but his accountant, earning the fees he charged, found every writeoff possible, so that his tax liability was as small as possible. As long as he maintained really high scores, and made a 20% down payment, he could buy a home, and not provide tax returns. He stated his income, and proved that there was a business for 2 years. This did not cause any issues. Later on the down payment decreased and the risk increased. (I did a mortgage for a man that owned over 150 pieces of rental property, and he could fully document income, which we did. The lender was not interested in going though all of those leases and all of those tax returns, so they treated him as a stated borrower because they did not want to spend the time on the file proving that this loan was used for underwritings convenience, not the borrowers). To abolish these loans eliminates an entire community of needed loans, and there needs to be something in place for self employed people with good credit scores and cash assets. Perhaps it would work better to go back to the larger down payments to lessen the risks, but to pass a bill to wipe out any possibility of doing this type of loan is just another wave of injury to a different kind of consumer and truly makes no sense.

Another point of interst that makes no sense is limiting Yield Spread Premium: Have you ever heard of a "No Closing Cost loan"? There ARE always closing costs, so where does it come from? The YSP of course. It simply is not all used for compensation. Example: Suppose you had a refinance borrower whose appraisal came in at a figure that did not quite make the value hoped for to cover costs and still end up at 80% loan to value%, therefore helping the borrower avoid Private Mortgage Insurance. The Yield Spread Premium may be used to pay down this difference so the borrower is helped to keep his payment down and the refinance is successful. Under proposed changes, this loan would not close, and the borrower might have to remain in an unstable or higher rate mortgage which could hurt him financialy. If he has to pay that difference out of his pocket, he may not be able to, and if he does, then he has no reserves left for his safety, and the next thing you know, he is laid off his job, no reserves, and no funds to fall back on! Also, another point is: If we as brokers are so limited that we are not able to stay in business, all the weight of trying to help people take advantage of better and stable interest rates will fall on the banks, who do not help people with credit issues, do not offer alternate programs or even try to find anything that is not on their own menu for a borrower with specific needs that they themselves don't offer. All of this would just lead to more foreclosures. We DO help people! We help them learn what it takes to prequalify, and if they can't, put them on the right road to get them there, so that they CAN buy a home. A bank is not going to do this since they work "on the clock" and do not take the time to counsel with a person so that he can learn what is needed. They just take the information, plug it in, and if it doesn't fit, they throw it out, and go on to the next. I know this is true, I have worked on both sides. I am in the broker side of this business because it is very helpful to people.

To propose a 3% trigger for home loans is too low to be considered a high cost loan. Average cost of a small home is now in the $300,000's range in some areas and more in others, and that is ultra conservative (unless its a mobile home), however Today, our focus is to assist people with adjustable rate mortgages to stablize their rate, and some of these are smaller loans. Take a look at a HUD1 Closing Statement, at all of the charges that are not broker related. THOSE costs include underwriting, closers costs and all title charges including the high cost of title insurance (in Fl.), and then there are state charges, such as Intangible Tax and Doc Stamps and Deed Stamps (in Fl.). These vary from state to state, some are high, some low, but are you including these in closing costs? (I do)! If you are including these in that 3% trigger, then we will all be working for nothing. Could you support your family on that? On smaller loans, (under $100,000) that 3% limit would barely cover title fees, title insurance and closers costs and underwriting charges and the state charges (as in Fl). Also, to limit us to 3% completely wipes out all possibility of any "No Closing Cost" Loans. (see paragraph above for explanation). On smaller loans, which tend to be troublesome (troublesome equates to time consuming) if you counted the hours spent on and divided hours into gross pay, you usually come out better flipping burgers at McDonalds! So where is the incentive to do them at all? One answer: Customer Service and the hope of referrals. It certainly isn't the pay! Secondly, Will the banks be limited to the same constraints? If we were all employed by a bank, we could only work with the higher credit customers, and all others would have to wait until they somehow resolved the reason for their issues, thus creating more renters or more foreclosures. And if you eliminate the incentive for smaller loans, the general lending community will only go after the larger loans so that they can afford to feed their families and pay their own mortgages! Thus creating (you guessed it) even more foreclosures...and all smaller loans that do somehow close would become high cost loans, which would be a new experience for me, since in 20 years, I have never closed one!

To require that the borrower always escrow taxes and insurance: This one came up years ago, and it hasn't happened yet because the banks do not wish to share the interest that they gain by investing those funds, and if they are taking funds from borrowers that do not wish to escrow, then they should be compensated for their losses by not being able to invest that money themselves. I am in favor of waiving that .25% charge that they incur when they decide to not escrow taxes and insurance. When the loan is sold off, to have escrows attached makes it worth more. THAT practice benefits the consumer HOW?? There is a new excellerator loan that is gaining popularity, and having these funds placed in the account (but not escrowed) would make a huge reduction in interest being paid by the end of each year. The consumer needs to have the right to decide for themselves. I am in favor of what benefits the consumer since we are all consumers.

I respectfully submit these comments to you in the hope that a better understanding of how we as brokers work. We do not create programs. The banks do that. If they are bad, may I suggest setting up regulations for what is good and what is bad, and get rid of the bad or risky programs. I believe the investors who create these risky programs have a clue of what could happen, so it would not be unexpected. I personally have never written but ONE Option Arm in my entire 20 year history! Why? I thought they were just too risky. I remember what it was like way back in the Carter Administration when there was Negative Ammortization loans then, but the rates were MUCH higher. And to forecast that a person will be able to make mortgage payments for 7 years into the future? Well, lets go back to the comment about Crystal Balls. We don't really know where WE will be in 7 years. How can we comment on a person's ability to make payments 7 years down the road? We can look at history with present job and credit, but with job layoffs, companies closing down, jobs being outsourced to foreign countries, illnesses, divorces, alimony, custody battles, accidents, unexpected pregnancies, multiple births, aging parents needing care, single parents raising children, deadbeat dads, deadbeat moms, lack of health care, lack of health insurance, extra financial burdon of adult kids moving in, grandparents raising kids, murders, deaths, shootings, fires, hurricanes and other acts of God, (shall I go on? The list is endless), life happens and it is beyond anyones control. I could write a letter stating a person could pay mortgage payments for 7 years, but it would be so full of qualifications and holes, it would take 10 pages to write it! What purpose does this serve? And since the banks sell off their paper just like the banks that fund a brokered loan, are the banks being required to write this, too? Where is the logic in these proposals? How is more foreclosures going to benefit consumers? We all have the same goals, but killing off the brokers is a major disservice to the consumer. Please stop discriminating against us: WE are not the bad guys!

Thanks for allowing us to voice opinions, I just hope someone is listening AND thinking.

Very Respectfully,

J. Campbell

Tallahassee, Fl.

I have respectfully responded to your Regulation Z proposed changes, but in thinking about the facts of all that you are proposing, found that I left out an important item of interest that you might want to think about:

What you propose is all about consumer protection, while the banks are ripping off the consumer right and left! Have you ever looked at a 30 year mortgage...you know, the one that the nation has used since the beginning of time? They pay the banks thousands and thousands of dollars in interest, when very little of it is coming off the principal! It works out to be about 20 to 1, what I mean by that is if the consumer pays a $20 monthly payment, he gets credit for about $1 (in the beginning years). It takes the average 30 year mortgage holder as much as 22 years of making payments to get to the point of 50% of that payment being applied to principal. A $200,000 loan at 6% for 30 years after 10 years of payments, our consumer gets credit for $32,628 off his principal balance, while he has paid in $143,892, It has cost him more than $111,000 to reap this reward! (And this is a low rate)! A higher rate is not nearly as complimentary. The same $200,000 at 8.5% at the same 10 year period of payments leaves the consumer with a balance of $177,205, rewarding him with $22,795 in equity, but it has cost him $184,539.20 in monthly payments (this does not account for any additional fees he may have been charged). We need to pray that this man's home is in a high inflating area where he can gain some equity from value increases....oop, sorry, no, he's in Florida. Now, consider that investors have approved 40 and 50 year loans, which makes this look even worse. Oh, and lets not forget a negative am ARM with a 40 year ammortization. So bottom line to all of this is that you are fighting for protection of the consumer, but meantime, the consumer is being eaten alive and gaining very little, and paying out a lot of his hard earned money at a time when good jobs are scarce. We as brokers write these loans because its the tools that we have to work with. (Those with a conscience wrote the safer loans).

If you truly want to help the consumer, have the investors come up with better tools. We recently have been able to offer a mortgage excelleration loan. This is about the smartest thing I have seen since the bi weekly loan, however this is better. I say promote mortgages that excellerate debt, instead of the opposite that holds the borrower in the bondage of debt! Better tools make for better loans, everybody wins. How? If the borrower can pay off the loan in 10 years without actually changing his spending habits, what will he do? He will buy another home, of course. The banks have been gaining interest on all those loans for so long, their attitude is "If it ain't broke, don't fix it" You want proof of that? How many banks have you noticed pushing accelleration loans? Take the American out of the American Nightmare and truly help them have the American Dream! Don't kill off the brokers, we are the consumers greatest asset. THINK about it!

I respectfully submit this suggestion to you, and thank you in advance for your consideration since you are consumers, too.