

**From:** <ctaylorguard-2006@yahoo.com> on 04/02/2008 10:15:03 PM

**Subject:** Regulation Z

**Subject:** Docket No. R-1305

**To:** The Federal Reserve Board

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**From:** Chris Taylor, President  
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Dear Federal Reserve Board,

As a full time mortgage broker for over 25 years and owner of a mortgage company, my comments on your pending actions are as follows;

1. All lenders should be treated equally, and all should have to disclose to the customer exactly how much money they will make on a loan transaction. Yes, that includes full disclosure of yield spread premiums, by banks, mortgage companies and all other types of lenders.
2. No documentation loans and stated income loans should be made illegal, period! I've always referred to these as "liar loans."
3. YSP loans should not be made illegal because some clients prefer accepting a higher interest rate in order to have their nonrecurring closing cost paid out of the mortgage brokers commission. In other words, I may show a client that the lender is going to pay me a YSP of \$5,000 and I will offer to pay \$3,000 of their nonrecurring closing costs, thus netting only \$2,000 for myself. The client then only has to worry about the down payment on the house (a big help in a lot of cases). Of course, all this should be fully explained to the client, and they can decide what they think is best for them. Not all clients go for it, but some do and see a real benefit to this option. So, keep YSP legal, but just require full disclosure as

mention in my item #1 above.

4. Require brokers (and all lenders), to quote up front what their maximum compensation will be, but allow them to offer a lower compensation to the client at the end if they want to. The way the pending law reads, I've heard, is that we can't raise or lower our compensation. Lowering would only benefit the client, so let us quote high at the beginning and have the ability to lower it at the end.

5. Force banks to stiffen their underwriting guidelines on all loans. We need to get back to old school underwriting. When I got into this business in 1983 we had to document everything (employment, deposits, mortgage ratings, full appraisals, etc.), and debt to income ratios were no more than 33% (but some lenders currently allow D/R up to 50% or more!). Simply put, not every American can become a homeowner. Keeping underwriting guidelines lax in hopes of getting everyone into a home is a big mistake!

6. Don't pick on mortgage brokers and forget about the lenders and investment bankers that created these horrible loan products that got us into this mortgage crisis. Brokers simply offer what's available. And, borrowers that wanted a piece of the American Dream (when homes were going up 20% a year in price), demanded any loan out there that got them into a house. If all they qualified for was a horrible sub prime loan, they went for it because they didn't want to stay renters and see everyone else get rich. Like I said before, not everyone should be a homeowner, so get back to old school loans with strict underwriting.

7. If you control the lenders, you'll control the mortgage brokers. Force lenders to stiffen underwriting guidelines, and don't allow them to offer liar loans (stated income loan). After all, mortgage brokers only sell what the lenders are pushing. We're not the bad guys, we're just the workers that help guide clients through the process. We offer clients choices (choices that come from the lenders and investment bankers). If some of those choices are "bad", then outlaw those types of loans.

8. Treat all lenders fairly with your new rules (mortgage brokers, banks, etc.).

9. Require all States to license all their loan officers (banks, credit unions, mortgage brokers, etc.). Again, this comes back to treating everyone

equally.

I'm guessing most of my colleges would be upset that I want pretty much what you want. More regulation, more disclosure, and stiffer underwriting guidelines. But as a veteran in this business I know it's the right thing to do.

Sincerely,

-Chris-

Chris Taylor, President  
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