From: "Tony Ronga - ARMac" <tonyr@armacmortgage.com> on 04/03/2008 05:00:04 PM

Subject: Regulation Z

Docket No. R-1305

To: The Federal Reserve Board

From: Anthony R Ronga
Mortgage Broker
301 E Arrow Hwy, Suite 101
San Dimas CA 91773

Federal Reserve Board,

The proposed changes to Reg-Z require brokers, only brokers, provide consumers a binding, written disclosure of the total dollar amount of their compensation (including YSP, Origination Fees, Processing Fees, Underwriting Fees and all other fees earned) prior to application. Requiring only brokers to provide such a disclosure will confuse and harm consumers who will mistakenly believe lenders who don't disclose their compensation are saving them money. We already see this where Bankers do not disclose YSP due to it being considered a secondary market transaction, when in fact they already have the loan sold and are funding it directly with a designated investor – Just like a Broker! Psychologically those buyers think the Banker is fully disclosing and they are getting a better deal - when in fact the Bankers are receiving the same YSP or likely MORE, but are not disclosing it! Believe me, Bankers do not make less than brokers, but it would appear that way.

Requiring brokers to disclose their total compensation before application will also lead to inaccurate service estimates based on partial information. A Mortgage Broker will be required to blindly, without adequate underwriting criteria, disclose to a borrower their total dollar compensation for a given loan without the opportunity to make adjustments based on unforeseen circumstances for which the borrower establishes his rate and fees based on income, debts, ratios, reserves, fico scores, etc. In other words the borrower is responsible for 95% of the reason they receive the rates and fees they end up with. They determine when to lock-in and if it is competitive. There are not many business that are required to show their profit and the cards that they hold to make a living; the system in place now offers the consumer great protection and regulates substantially! If this is a change to be made, level the field by requiring all companies who arrange mortgage loans to disclose too – including bankers, banks, investors, etc - EVERYONE. It is not the Broker alone who created this credit crunch mess; it is all the companies who offer the loans to the brokers, bankers and general public. As Brokers, we sell the products made available to us. New rules and regulations should regulate those who create the products that are ultimately made available to the public through bankers and brokers. You do know that we all get our money from the same investors, basically at the same terms. Really there is not much operational difference from a Banker to a Broker. Buyback Risk is really only where a banker takes the lead- and the lines dividing risk that a banker takes and a broker takes have been adjusted recently, blurring the lines even further. This is not an attack on Bankers, as we strive to enjoy the additional flexibilities of a Banker too someday. In the end regulate EVERYONE fairly. And, the USA consumer is already greatly protected, almost over protected.

The proposed changes to Reg-Z dictate harsh underwriting guidelines for a new class of higher cost loans, those with APR's that exceed comparable treasury yields by a certain margin: 3% above for first mortgages or 5% for second mortgages. The proposed triggers are far too inclusive and will subject many Jumbo, Alt-A, Agency-Jumbo and FHA loans to these new guidelines, preventing credit worthy borrowers from obtaining financing. The proposal mandates a written disclaimer from the mortgage broker that states: "a lender payment to a mortgage broker can influence which loan products and terms the broker offers you, which may not be in your best interest or may be less favorable than you otherwise could obtain". Under California state law a mortgage broker has an obligation to make a full and accurate disclosure of the terms of a loan to borrowers and to act always in the utmost good faith toward their principals (borrowers.) The proposed language wrongfully misrepresents the duties a broker owes his client, in probable violation of state law.

And as well, there will be a reaction by the mortgage industry to offset all imposed rules and regulations. My opinion is that attempts by government to regulate will have unforeseen affects on the consumer…likely more negative than positive. Just to illustrate the unforeseen with an actual industry move, consider this: FHA recently adjusted their loan limits to adhere to the Stimulus Package and to help our economy – Per the Mortgagee letter 'pricing would not be impacted our adjusted on these higher loan amounts'. Despite government's good intentions, and obviously thoroughly thought out and written law, the industry having passed on the loan limits to the consumer, HAS NOT passed on the beneficial pricing to the consumer. As of this writing, lenders are charging a 2 – 2.5 Discount point add on to rates on loans in excess of the previous FHA loan limit for the area (ie FHA "Jumbo"). This has resulted in rates from .5% to .75% higher than 'regular' FHA loans. This could not have been foreseen, and any legislation to offset such a move if foreseen, would and could have had another equally negative reaction from the industry. By the way, will this someday be construed as the broker's fault too, even though it is the lenders and the Bankers who are initiating this rate increase and passing the product on to the Broker?

I do not think further restrictions and laws are going to help already well protected consumers. Education to the masses is what will cure this problem. Education is powerful, consumers who are educated do not get taken advantage of by unscrupulous loan officers (who work for banks, Bankers, and Brokers alike). The market and the people will make sure loan officers are competitive and non –predatory, if they know how it all works. That, together with in-place governmental regulation, current industry self-regulation, and better mandatory training, licensing and educational requirements for the loan officers offering services, will all result in a better, fair and consumer-friendly package!

Think about it. This is important.

Tony Ronga
American Residential Mortgage Acceptance Corporation [ARMac]
301 East Arrow Hwy, Suite 101
San Dimas, CA 91773

909 971-0437 x107

incoming fax line   909 568-2431