

From: "Cheryl Knight" <cheryl@knightfinancial.biz> on 04/02/2008 04:00:04 PM

Subject: Regulation Z

April 2, 2008

Jennifer J Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Proposed Rule Amending Regulation Z
Docket No. R-1305

Dear Secretary Johnson:

My name is Cheryl Knight, President of Knight Financial Solutions Inc. located in Savannah, Georgia. I am a Certified Mortgage Planning Specialist and a licensed residential Mortgage Broker in the State of Georgia. Please allow me this opportunity to explain how the proposed changes will affect my small business.

First, please understand that I am not opposed to all changes and perhaps most changes are required due to the current state of the mortgage and credit industries. Because there have been many transformations since the original rules were adopted, changes are certainly sought after and welcomed.

The elimination of the mortgage broker from the process will severely impact the borrower's ability to find financing to meet their overall financial goals and objectives. At the moment, FNMA and FHLMC are the only game in town, but everyone does not fit into their programs i.e. self-employed borrowers like me. Mortgage Brokers have access to more loan programs than banks which is a great advantage to consumers.

There is one very important amendment that I insist be implemented for **ALL** mortgage originators not just brokers. This includes the disclosure of any RESPAs specifically the Good Faith Estimate of Closing Costs and yield spread compensation. In many instances, yield spread premiums are not just compensation but also used to absorb certain closing costs to help the borrowers obtain a loan due to the equity challenges and/or out of pocket expenses. In addition, if the banks are not required to disclose the same information as a broker then how can a consumer accurately compare services and fees?

Furthermore, it is impossible to give a precise estimate of closing costs before the loan application is taken due to such variables as a borrower's credit and financial qualifications, loan amount and other transaction details which are verified.

The proposed APR triggers will cause nearly every mortgage made in America to be classified

as a “higher cost” loan, therefore, making mortgage financing nearly impossible. It was my impression that we are here to help the 2 million or so people that are trying their very best to avoid foreclosure. This provision will certainly add to that number.

Last but definitely not least, having an originator determine that a borrower has the ability to repay the mortgage for at least 7 years is absurd. That is the Underwriter’s responsibility when reviewing the entire loan application with all verified information. Unfortunately, we have become an industry of box checkers by depending on technology to the extent that the art of underwriting has been lost. We need to go back to basics with common sense underwriting from a human being and not depend on the computer to approve a loan.

As previously mentioned, I am not against all the proposed changes and I am sure you will find that to be true for most Mortgage Brokers. But it is imperative that the industry is treated fairly and consistently across the board and not just looking for a sector to blame.

I encourage the Federal Reserve Board to consult with the national mortgage associations including the National Associations of Mortgage Brokers and consider alternative rule changes before adopting any rule provisions.

I appreciate the opportunity to express my concerns and thank you, Secretary Johnson, for considering my comments.

Respectfully yours,
Cheryl L Knight, CMPS
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