



Novation Mortgage
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April 4, 2008

RE: Proposed Rules for Mortgage Regulation:

To The Governor's of the Federal Reserve Board:

I am Myra J. Cook, owner of a female, minority-owned mortgage brokerage in Marietta, GA. I have been in the mortgage industry for about 13 years now. I want to express my 'expert' viewpoint with regards to your new proposed Federal Reserve rules. I don't feel like an expert but I am one as I am a first-hand experienced mortgage broker in the throes of this mortgage crisis so, therefore, I am an expert.

Mortgage Brokers have gotten a bad name in recent months. You must remember that if it were not for the lenders and banks offering to us to sell their wholesale ARM products and low credit score/high loan to-value products, *that we, the mortgage brokers would not have been putting people in those mortgages!* The lenders made up their underwriting rules according to the Wall Street financial palate, we abided by them, and we did all the hard work, and closed the deals. They profited hugely, we are just barely surviving, and now the media and others are blame shifting and coming after the 'unscrupulous mortgage brokers' saying it is our fault, and we should be held accountable for this mortgage mess and be hung out to dry for putting those people in those loans. They are saying this mortgage crisis is now the mortgage broker's fault! Nothing could be further from the truth. It is similar to what is happening at the hearings now. Sen. Ted Kennedy gets up there, and starts bullying around demanding Bernanke as to how he is going to solve this mortgage mess or HUD mess that this Republican President has caused. Neither Bernanke nor President Bush caused any of these problems, neither is it their job to fix this "HUD mess" nor should they be required to offer their opinion on how to fix this. It is within my job function to offer an expert opinion, however, for the Governor's Board to review and take into consideration.

The problems started with the products the lenders and banks were offering to the brokers to give to the consumers by what Wall Street investors were dictating. We cannot solve this by punishing or blaming Bernanke, President Bush or the mortgage broker. We must go to where the problem **originated**, and make corrective measures there. *Clearly the regulation MUST start with the banks and lenders, and Wall Street investors, not the little, local mortgage businesswoman broker carrying out the task according to their wishes.* These are the entities making the product decisions that need more regulation and need to have the same rules that I have as a mortgage broker.

I support any ruling whereby the consumer is protected, and the small business woman is protected, but I vehemently oppose any ruling that is unfair to mortgage brokers. Most consumers don't understand the difference between lenders and brokers, we advertise the same, our names are similar, and we have the same rules to how we can advertise. Any changes need to be fair to the consumer and the broker across the board. I serve as a go-between of the borrower and the lender and I do all the hard work. I neither represent the borrower nor the lender. Statistically, it is proven that consumers get a better deal when they use a broker, and also, lenders make more



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money when they rely on brokers to originate their loans. However, I make a *very small* percentage of money compared to the amount of work I do, and compared to what the lender makes on both the secondary market and in monthly interest charges. In addition, I must also compete with the big-money lenders; in advertising, in offerings to the consumer and in rates and price. It is getting hard for mortgage brokers to survive now and many have closed their doors.

A lender or bank makes far more money than what a broker makes. A lender or bank can make 8-10 points or more on a closing whereby a broker is limited to around 2 points in most cases. We usually make 1% origination and 1% yield spread ("one on the front, one on the back" is how we call it). Many times we charge 1 1/2- 2% origination and NO yield spread or sometimes we charge 2% yield spread and NO origination so the borrower does not have to come to the closing table with much cash in hand. *Yield spread is a tool to make the deal work for the consumer, not just a way for us to make money.* Many times yield spread is used to cover the closing costs on behalf of the borrower and to make the terms agreeable to all parties. Please consider this when reviewing any new regulations.

If a lender or bank is operating as a 'mortgage originator' they should be bound by the same rules that the mortgage broker is. It is unfair to make rules that complicate or suppress the broker *yet do not make the same rules for the lenders*. It is biased and prejudiced and it also hurts the consumer. The consumer is not aware when a lender or bank makes 8-10 points as they are not required to disclose this. This is very unfair to the consumer that the rules are not the same for brokers as banks and lenders for the same tasks, originating a mortgage; just because 'ABC Bank' is a bank, and they originate a loan they don't have to disclose yield spread, or service release premium while doing the same task as the mortgage broker; originating the mortgage loan. Banks and lenders should be regulated equally in the task of mortgage originations just the mortgage broker is. **ANY RULES THAT CHANGE ANY DISCLOSURES TO THE CONSUMER MUST APPLY TO ALL MORTGAGE ORIGINATORS NOT JUST THE MORTGAGE BROKER.**

Please consider options *other* than just making more new rules to restrict the mortgage broker and consumer, and please be fair in your decisions to ALL mortgage originators and make it on a level playing field for all who offer mortgage loan products. Consider regulating what the lenders, banks and Wall Street investors conceive to offer on wholesale and retail levels and *how* they are allowed to offer products to the consumer VIA THE BROKER, and make them just as accountable as we mortgage brokers are being held accountable, and *even more so* since they are making the program rules and in turn they tell us what to offer.

Respectfully,

A handwritten signature in blue ink that reads "Myra J. Cook".

Myra J. Cook
Minority Female Mortgage Broker
Novation Mortgage