From: "Phyllis Faulkner" <phyllisf@integratedmortgage.net> on 04/21/2008 04:47:51 PM

Subject: Regulation Z

(I have cut and pasted my comments into the email rather than attaching)
Thank You
April 8, 2008

RE: Docket No. R-1305

To Whom It May Concern:
I have been in the Mortgage Industry for going on 19 years now. During those 19 years I began my career working with banks, among those Manufactures Hanover, Chemical Bank and PNC. My time working for banks was used to best understand the basic guidelines for obtaining homeownership. Once I had an understanding of the underwriting foundations of Fannie Mae, Freddie Mac and Ginnie Mae I made the move to become a Mortgage Broker. As a Mortgage broker I have the ability to intermediary between the client and the lender, serving both parties but representing neither. Having around 40 different Lenders at my disposal each with their own individual guidelines. Becoming a mortgage broker has allowed me compare the individual needs of that borrower to the requirements of a specific lender.
Investors have the ability to negotiate exceptions with Fannie Mae and Freddie Mac, while not all Investors will meet Fannie Mae and Freddie Mac's guidelines. An example of such would be, Freddie Mac will allow a Non-Owner Occupied Co Borrower with a loan to value of 90% and a LP Accept without the Occupying borrower having to have his/her own qualifying ratios. While this is a Freddie Mac Guideline, Wells Fargo will not allow it. Had I worked for Wells Fargo on the Retail side, I would not be able to do this loan, a broker could have placed it elsewhere. Knowing the Investors that we broker with allows us to place the borrower's loan with the Investor that fits their needs. In this particular borrower's case the clients all had over 740 credit scores, down payment was 20%, and the qualifying ratios were less than 30%. The client was a student obtaining his Doctorate at Duke University in Durham, NC.
Using the very same example above in the proposed rule, had I not known not to go to Wells Fargo for such a loan I may have locked the clients loan disclosing the 1% origination fee, our $275 application fee and Wells Fargo's $615.00 commitment fee when they could not close this loan. I would have been forced to switch the loan to another Investor who would acknowledge Freddie Mac's guidelines. The borrower would be subject to the new lenders rates, pricing, and fees, something that could not have been disclosed before application was made. In this case it in not possible to disclose to the client the total compensation I (the broker) would receive from both the borrower or the lender (including yield spread premiums) before the application was made. We are currently required to re-disclose the Good Faith Estimate and Truth In Lending should anything change on our good faith estimates. We are currently required to disclose yield spread premiums in a range on the good faith estimate (0-4%) and on the HUD-1 at the closing the exact dollar amount in disclosed. Purposely disclosing the dollar amount of Yield Spread Premiums before loan application is made in not only difficult to do but would only confuse the consumer as we would have to overestimate any yield spread premiums to factor in any unforeseen circumstances. Such as Investors pulling their own credit reports after we have already pulled a credit report, qualified and priced a loan based on their credit scores. If the Investors new credit report reflects lower

scores this could result in a higher rate, something that would be totally out of our control. Fannie Mae and Freddie Mac now have pricing adjustments based on your credit score, 680 to 719 would be .50% hit to the price, 660-679 1.25% to the price, 640-659 1.75% and 620-639 2.50% to the price.
This past weekend I was in a Bank of America Branch and they were advertising a 30 Year Fixed Rate of 6.14%. Based on the proposed rule Bank of America would not have to disclose any monies being made on the back (service release premium), but under the new proposed rule I would have tell a borrower that if they were comparing me to Bank of America on that day I could offer them on a 30 day lock a rate of 6.125% paying $3,402.00 in yield spread premium (2.268% based on a $150,000 loan amount) plus the origination fee of 1% plus our application fee of $275.00. You can see how this would be confusing to the client, why are monies being paid to us when Bank of America isn't showing any additional money being paid to them. In fact our rate is a little better then Bank of America's and we are making money on it because we don't have over head expenses that the banks have. They need the monies paid on the back to cover salaries of tellers, branch overhead, etc.

Brokers make up 60 to 70% of all mortgage loans originated in the past several years. This is due to the fact we can be competitive on rates and fees when banks have rates set at levels higher than the mortgage originator and cannot offer the flexibility that brokers can.
The fact that we compete with these very same lenders/investors everyday and they would not be required to disclosure a yield spread premium's as a set dollar before loan application is made is unfair from a competitive basis. The retail branches of the lenders that we do business with on the wholesale side would have the ability the steer consumers away from brokers, even when we offer more favorable terms.
Being a mortgage broker is far more difficult than working for a bank and as such compensation for the work we do should not be an issue when there are already High Cost restrictions and Investor compensation caps already in place. Additionally there is disclosure of Yield Spread Premiums in 2 places currently, the Good Faith Estimate (percentage) and the HUD-1.
While I understand the Federal Reserve proposed rule is designed to protect consumers, I don't think how much money we make or that the client knows exactly how much money we make is the real issue. The real issue is the loan programs that clients may have been steered to, not just for monetary gain but for the sake of obtaining/closing the loan. Keep in mind those were programs that were made available by Lending institutions that passed their products down to the broker. Not all investors were small players, we were offered large companies such as Wells Fargo and Countrywide's sub-prime products. I realize there have been "bad apples" in our industry, I have prided myself on the fact that 70% of my business comes from past client referrals who were happy with the services they had with me and the company I worked for. Would it have made a difference if they knew the exact compensation paid to my company? I don't know, but it would have made a difference if the person (mortgage originator across the street) said, "we are only being paid the origination fee of 1% and a small application fee." This statement that is simply not true. This is my career, my livelihood and why I get up every day. Each and every one of my clients is a direct reflection of my success.
To a large degree the problems that have lead to this Credit Crisis has corrected itself with investors closing their doors. I would suggest that the Federal Reserve consider alternatives to the proposed regulation that would protect consumers in their dealings with ALL mortgage originators not just brokers.
Thank you in advance for your consideration of my comments.

Sincerely,

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