MACC
MORTGAGE ASSOCIATES CORPUS CHRISTI

Board of Governors of the Federal Reserve System
Washington, D.C.

Re: Docket No. R-1366

As a mortgage broker since 1992 and the owner of the company, I have relied upon the referrals of my customers for future business. I have never used leads, had a telemarketing operation or promoted myself during the periods of low interest rates to push for refinances. I have a small company with only three loan originators. This is as large as the company has ever been.

I applaud the efforts of the Federal Reserve to protect the interests of the consumers. This is something that I have worked to achieve over the years with the customers that come into my office.

In regards to the Board's proposal addressing loan originator compensation, the proposed rule defines a mortgagor broker as a loan originator and the way loan originators will be compensated. A mortgage broker should not be classified as a loan originator but an entity or business. The SAFE ACT defines loan originators and requires that loan originators must be licensed. The entity (business) would be entitled to receive both direct and indirect compensation (YSP) just as other channels receive indirect compensation (SRP, Gain on Sale). The entity must be bear the operating expense for office, equipment, salaries, supplies, utilities, pay the loan originators, etc. The only way the entity can meet these expenses is to be compensated by both indirect and direct compensation. My business (entity) has an agreement with its loan originators on how the loan originator is to be compensated on each loan that is closed. This agreement is based on a percentage of the loan amount and the YSP the company receives. The company approves the rate lock and not the loan originator. To compensate the mortgage broker/loan originator as proposed on the basis of a flat fee would effectively eliminate the mortgage broker from the channel of distribution. If adopted as propose, the rule would eliminate competition for the consumer which would ultimately mean higher cost to the consumer.

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In many instances, the consumer has requested the entity to use part of the indirect compensation to help the cover some or all their costs. Many of the consumers would not have the potential of homeownership without assistance from the indirect compensation received by the entity. In many instances, the consumer would rather finance some or all their cost in the rate rather than using all their cash in the purchase of a home. This is a choice that the consumer makes. We would certainly not be able to offer no cost loans to the consumer without the benefits of indirect compensation.

Please consider changing your proposal and definition of a mortgage broker as a loan originator to reflect the real life world that there must be an entity and the entity must be able to receive both indirect and direct compensation. The loan originator must be compensated on a percentage basis of the loan amount and not a flat fee.

Sincerely,

Jim Pair

Jim Pair
President
Mortgage Associates Corpus Christi