

**From:** "Mark Schellhammer" <marks@imperialmortgage.com> on 03/26/2008 12:20:06 AM

**Subject:** Regulation Z

My name is Mark Schellhammer, and I am a licensed loan officer working for a broker in Richardson, Tx. I am writing to express my concerns over the pending legislation before you at this time.

I wish to express my support for the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but respectfully oppose the proposal to restrict compensation for mortgage brokers. I understand that the government feels it needs to make new laws to protect consumers. But laws cannot protect consumers from themselves. I find the latest wave of broker-bashing to be appalling. Sure there are some bad apples, but there are in every industry. We as brokers serve a great service to the home buying public. Most homebuyers look upon this transaction as a necessary evil, like buying a car. They can go to eight different banks, fill out 8 loan applications, have their credit pulled 8 times, have 8 different loan officers tell them the same thing. Or they can come to a broker. I buy my insurance through a broker. She shops it and gets me the best deal. She doesn't disclose to me what she's making. I don't care what she makes. As long as I get coverage and premium I'm happy with, I don't care. My dad asked me why I made a living the way I do, why would anyone come to me when they can go straight to a bank or lender. To a certain degree, he's right. Then I asked him why he paid someone to do his tax return, instead of doing it himself (by the way, I'm also a CPA). I get paid to provide a service to someone who doesn't want to go do it himself. But some people don't want to do the steps I just laid out. They want to come one place, do this one time, and close the loan, with terms they're happy with. They don't care how much I make. And I work my butt off for some people to get them loans that banks and lenders would turn away because they don't want to do the work it takes to get these "ignorant" folks a loan. And the consumer becomes dejected and remains a tenant. When a good broker would have gotten him a loan. And yes, I would want to be paid for it. I don't think anyone in this world wants to work for free. But car dealers don't disclose how much they make on each car sale, and insurance people don't disclose how much they make on each sale? Now, you're asking me to disclose how much I'll make in yield spread BEFORE I DO THE LOAN APPLICATION?! When I haven't even put them in front of an underwriter to know even if they be approved or not. AND, with rates changing on an hourly basis? I may have a "feeling" on the day of loan application that a 6% rate will yield me a 1% ysp on the day of loan app. But that could change by that afternoon. If I'm caught in a declining market, then I would have to charge a corresponding higher rate to make the same ysp. Or I would have to keep the same rate and make less money. Maybe even do the loan for free? Maybe have to pay to do the loan? Doesn't that sound ridiculous? How can I be expected to wrap my hands soundly around jello on a hot summer's day? Also, lenders are taking almost a week to underwrite loans these days. What happens if rates move drastically during this period?

This process will eliminate the ability of a broker to make a reasonable living. There will be a majority of the brokers that will have to close up shop because they won't be able to make enough money to stay in business. This will decrease the population of brokers who help needy people get loans and lenders who make these loans. Borrowers will become scared and intimidated by the process. Almost all of my clients enjoy the fact that my cell phone is on almost 24/7. I am available to them and the realtors involved on weekends and evenings. Try to get a Bank of America loan

officer to spend time with a client on the phone at 9PM on a Sunday night for an hour. I've done it. I've done prequalifications for realtors at 7:30PM on Friday night while my wife is impatiently waiting at the door to go out to dinner. I've met clients at my office on Sunday afternoon for a loan application because that's when it was convenient for them. I've driven to client's work or home to pick up or drop off information. I've taken many a loan application at a kitchen table. Tell me that a Countrywide loan officer will do that. I can accomodate many people's schedules. I go out of business, then consumers run out of time and places to get their loan applications done. There is enough confusion when I tell them that I've placed their loan with Countrywide or Wells Fargo (oh, also, their Account Execs and a lot of their staff will go, since they won't have any brokers to sell their product to). I'm aware that a lot of the banks and lenders want to see us go. They don't have to disclose to the unsuspecting public how much they make on a loan. Their service release premium (srp) is guarded from this. This make for an uneven playing field, and the chance for them to guide the consumer into a loan that sounds too good to be true, but pays them handsomely. I've actually beaten many a Bank of America loan officer's rate and closing costs, and put the client into a Bank of America product! Since my overhead is smaller, I was able to pass this savings on to the consumer and save them money at closing, get them a better interest rate, and still have their loan with BofA...or Wells, or CW. Chase, wherever, and make a decent living. Isn't this about helping stimulate the economy back into an upswing. The housing market has been the largest contributor to the most recent economic boom. We brokers contributed. Were there some casualties along the way? Yes. But look at the big picture, and not the little details. Sure many people bought too much house. Shame on them. People like that put too much on credit cards. That doesn't stop Credit Card people from charge 20+% and continuing to issue credit. Many people come into my office with a car repossession on their credit report. And then a year later, they have another car loan. Didn't seem to stop them. People will continue to buy what they think they need and want. It's my job to get that for them IF THEY QUALIFY!. If I had made some moral judgement on someone's possible eminent future inability to repay and denied them a loan, I would have been sued, or they just would have gone to some other lender/broker who would have done their loan. If the product was there, and they qualified, who am I to tell them NO and risk some kind of lawsuit? They met the guidelines. For me to try to "second guess" whether or not they would make their payments or not in the future would be pure speculation. They met the guidelines of the loan, they qualified, so they were given the loan and purchased their home. There are many people who were good loans that went bad. I've also seen people who got into subprime loans, did what I told them to do (save money, improve their credit, let me work with them for 2 years to help them prepare to refinance) and were ready to refinance out of their loan. Then, there were many leopards who didn't change their spots! They bought their house, then continued their "evil ways". When the loan rate jumped, they were no better off than when they applied. That isn't my fault. They knew what was going to happen, it was disclosed, I read it to them, and they signed it...at loan application, and again at closing. There was no hiding, no hanky-panky. These are grown up adults making adult decisions. Then when it doesn't go the way they like it, it becomes the mean old loan officer's fault...they didn't understand. Well they should have asked a lot more questions, and maybe shouldn't have bought the house. But, they met the guidelines, and the future be damned, they were going to get into a house now. This is not the fault of the broker. The product was there, submitted to us by lenders, and we placed the product with people who qualified for that product. Simple as that.

By restricting and limiting my income you will force many loan officers like

me to look for a new occupation, and the consumer will be the worse off. I can provide you a list of all of my clients and let you call them, ask them about the extraordinary service I provide, and they'll say whatever I was paid by the lender I earned every penny of it. Plus you will putting many correspondent lenders out of business also. We brokers place our loans with them, then they sell them to CW, Wells, Etc. If we go, they go too. More people out of work, not there to help the needy consumers

My last comment will be that if this ruling is implemented, then the playing field should be level. All loan officers should be required to be licensed and required to disclose all compensation, whether its yield spread or srp. And all disclosures should be the same. Last week I was asked to compete with a lender's (CTX Mortgage, a bank, Rodney Anderson, one of the largest originators in the State of Texas) Good Faith Estimate. I was given their GFE to compare. By the time I was through, my costs were about the same, but I could beat their rate by about a quarter point. What amazed me was that my GFE was on Calyx Point software, the GFE is issued in the exact same format as the borrower will see on the HUD-1 at closing, including a ESTIMATE of what my ysp would be. CTX's GFE was an EXCEL Spreadsheet format...words on the left, numbers on the right, with a brief title at the top. No lender name, no ysp or srp disclosed, no corresponding format. My high school son could have put the worksheet together. I ended up losing that client, don't know why. But I know my quote was more professional and more informative disclosure-wise than the "banks" was. Yet you feel that Brokers need to have MORE restrictions, and the banker/lenders don't. This I just don't understand, how this can possible benefit the consumer.

I ask that you reconsider some of your recommendations to this and the massive effects it will have on our industry. It is suffering now, but the bad people will leave, for the most part. The bad loans will go away. There will always be some bad loan officers trying to make a killing off of unsuspecting people. All the disclosures and scripts in the world won't eliminate them, nor will it eliminate human nature of borrowers to possibly buy more than they can afford when the opportunity is right. I look forward to hearing soon that you have made the right decisions that are in the best interest of the whole nation, not just the few complainers and whiners.

Mark Schellhammer

Imperial Mortgage Corp.  
marks@imperialmortgage.com  
Office: 972-231-4143  
Fax: 972-231-9162  
Cell: 469-438-4382