

**From:** "Steve Simpson FHA Home Loan Expert! Let me help you and your buyers."  
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**Subject:** Regulation Z

RE: Comments on "Docket No. R-1305"

I represent a CA mortgage broker with 10 licensed salespeople working under my broker's license. We have been in business since 1998 and have always provided fair priced safe loans for our consumers.

I support new goals for the protection of consumers in obtaining safe home loans at competitive prices under the FED's proposed amendments to Reg Z, but I respectfully oppose the proposal to restrict compensation for mortgage brokers.

Mortgage broker compensation, including yield spread premiums, are already disclosed on both the GFE and HUD-1, even though there is no corresponding requirement for direct lenders to disclose compensation paid to their own sales staff. This is dramatically unfair to those who work within the loan broker profession.

By unfairly targeting mortgage brokers and restricting their ability to earn you will be eliminating competition from the overall market. If mortgage brokers are limited to how much they can earn based on their hard work and effort they will find another career. This will mean that the only loans available in the market will be obtainable from banks alone. If this happens, based on my understanding of the new FED proposal, banks won't have to disclose all of their income on each loan and they will seek to rip off the consumer. With no competition from brokers, the banks will overcharge consumers and will not be held accountable to disclose their fees and income in the same way that you propose brokers should. How is this fair to the consumer or the broker???

Beyond that, since the banks will have no more competition, they will cherry pick loan applications for only the best qualifiers. This means you will begin to see discrimination and racism in lending. A lot of minorities and economically challenged borrowers will no longer have access to brokers that will help educate them on how to get home loans. This hardly seems fair either.

The role of mortgage broker has been grossly mis-understood in recent years. We are the primary coaches of the underprivileged and are more responsible as an industry for attracting and successfully making homeowners out of minorities and the economically challenged. The way we make a living has become almost the same as banks in recent years. We originate and close a loan and then get paid through passing it off to another long term lender. Banks are doing the same thing in modern years. They don't hold on to these loans for more than a month or so and then they sell them. Only when they sell them, they make gigantic amount of money, which is the same thing as (YSP) yield spread premium only on a larger scale. We only make a small amount. Why should they be protected???

We are not the bad guy. We provide extra

competition to the market. Isn't that what this country was based on?

I do think that consumers should be provided with encouraging disclosures that helps them to shop for the best deal but why should banks be held to a more lenient standard than brokers?? I insist that any disclosures apply equally to all mortgage originators, not just brokers.

With respect to YSP, if you eliminate it you will be eliminating first-time homebuyers who have little or no money to pay for their closing costs. If you do this you will have an enormous backlash from the minority and economically challenged communities. This is a racist and discriminatory act. Most minorities and people from economically challenged backgrounds have little or no money to pay for their closing costs charged to buy a home. When I encounter these types of transactions I explain to the client that my charges don't have to be charged to them because I can get the bank to pay me through YSP. If it is not available, I will be forced to tell the consumer that unless they can pay for my services they cannot get a loan to buy a house.

If a broker charges fees up front and gets YSP through a higher rate, already strong competition from other brokers will divert the consumer away from the more expensive transaction to the cheaper one. No broker has ever been protected from competition. Every consumer has the right to shop and they already do so regularly.



In addition, one of the proposed rules would require that brokers be held to disclose exact fees, including YSP, to the consumer before their loan was even considered in underwriting. This is like being forced to buy a car over the phone before you can see what condition it is in. If the underwriter changes the terms of the approval, based on poor qualifications, and offers a higher interest rate and fees passed on the broker why shouldn't we be able to pass on those higher fees to the consumer??

I Suggest that the Fed consider alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators, and encourage competition on price and service.

In closing I would like to state that it is my belief that credit card companies, (not mortgage originators, banks, or investment bankers), are more to blame for the collapse of the mortgage and housing market than is being discussed by any government representatives or financial news stations and newspapers. When a home loan underwriter qualifies the buyer, with respect to their budget, for home loan financing she can only base her decision on what their overall debt is today including the new home loan payment. However, after the close of escrow, the profit driven credit card companies flood the new homeowners mailbox with credit card applications offering to provide the money to renovate and furnish the new house. Their qualification process is a joke and barely exists. Beyond that, their required monthly compounding payments are dramatically higher those of a simple interest mortgage. Before you know it, the new homeowner cannot afford to live in the home any longer because they are overwhelmed with credit card debt. Most of the home loans that went bad did so before any adjustment happened to their interest rate. This is the reason why!!! It has never had anything to do with mortgage brokers or what we charge.

Please place blame where it is due and leave mortgage brokers alone. We provide an extra layer of competition to the home loan financing industry. We educate consumers and make sure minorities get a fair opportunity to become homeowners. We deserve to make a fair living and not have the government “Regulate” how much we make but let the banks overcharge and be allowed to under disclose to consumers.

I would like to thank the Board of Governors of the Federal Reserve for considering my comments.

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