From: "Jim Thielmann" <jimt@equitascap.com> on 04/01/2008 02:00:04 AM

Subject: Regulation Z

Comments/Federal Reserve Board:

My name is Jim Thielmann, and I am an attorney and mortgage broker in San Jose, CA.

The proposed Fed Rule amending Regulation Z has some useful consumer protections, but it also would impose significant, undue burdens on mortgage brokers which seem to be unfairly singled out. In particular, <u>the proposed Fed rule would require brokers, but not other mortgage originators, to disclose the specific dollar amount which the broker would earn from a transaction, including yield spread premiums</u>. That disclosure would have to be made *before* the consumer paid any fee to any person, *and* before submitting an application.

HUD already requires disclosure of yield spread premiums in both the GFE and HUD-1. However, the Fed believes additional disclosure is needed from brokers, but not other originators, to protect consumers because, the Fed believes, consumers believe that brokers are a "trusted advisor" who are bound to get the best possible deal for borrowers, but do not view other originators in the same way. The Fed has taken this position even though exhaustive studies of mortgage disclosures by the Federal Trade Commission, the government's principal consumer protection agency, in 2004 and 2007 show that additional disclosures of mortgage broker compensation created confusion, caused consumers to choose more expensive loans, led to a bias against broker-assisted transactions, and impeded competition, thus hurting consumers. Clearly, this can not be the aim of the proposed amended regulation, but it would be the actual application. It is rather disconcerting for me to know I am working my tail off to help the consumer, only to be slammed by the Fed which appears to be against consumers, free enterprise and fair business dealings.

Mortgage brokers exist as an industry because we provide much needed value-added services to consumers looking for real estate financing. If we do not deliver value add, we could not survive as an industry and would not be competitive against large banks. Consumers have traditionally turned to us primarily because we have provided lower rates and/or the best one-on-one service to ensure that consumers get the financing they need. But as we compete with direct lenders, making unfair distinctions between brokers and lenders, such as requiring complicated disclosures from brokers but not from other originators, is detrimental to the consumers' rights/best interest, not to mention negatively impacting the livelihood of a huge economic sector of our country. If the Fed believes things are bad now, hunting the mortgage broker to the benefit of big banks and other special interests, will send the market into a tailspin and cripple the markets beyond repair.

Unlike bankers, mortgage brokers use YSP to pay for clients' upfront and backend transaction costs. In the real world, requiring brokers, but not other loan originators, to make compensation disclosures enable the brokers' competitors to steer consumers away from brokers, even if brokers offer more favorable loans. Furthermore, it is impossible to give a reasonably precise dollar estimate of fees a broker will charge in a transaction even before an application is submitted because the broker does not yet know the prospective borrower's financial status, transaction details, type of product sought, or amount of loan, all of which may vary as the transaction progresses. Also, it is very likely for borrowers to change loan products, loan amounts, or to choose a rate later on in the process -- all of which would further impact the YSP.

Any disclosures that the Fed deems NECESSARY during a real estate transaction MUST BE applied equally to ALL mortgage originators, across all channels, not just to brokers. Singling brokers out does not address consumer abuse, but merely exacerbates it as the government would be unfairly trying to steer consumers towards banks, who historically have marketed higher rates and have left consumers very confused with poor customer service. Time and time again, I meet with clients who are fed up with the incompetence, the lack of professionalism, the "our way or the highway" approach exhibited by loan originators at big retail banks. Unlike employees/originators who work for these banks, I do not have a salary to depend on. I am only compensated if my client completes a transaction and stays happy with me. I am my own employer, and I work for my clients; hence, I have a tremendous amount of interest vested to make sure that I do a great job for them and am always available. This is not the case with bankers, whose employers are the banks, who work 9 to 5, and who don't really care if the loan goes through successfully or not, and don't care if mistakes are made that causes consumers enormous grief. My clients are the blood of my business, and if I poison my blood, the business would die. I take great pride in making sure the blood is healthy and strong! I disclose more and take better care of my clients than any bank could possibly do.

I implore the Fed to consider alternatives to the proposed regulation, something that would actually protect consumers in their dealings with all mortgage originators, and encourage competition on price and service. The United States is the great country it is today because it fosters healthy and fair competition and encourages all businesses to compete to provide better service to consumers. Unfairly steering the market away from mortgage brokers would create an unnatural monopoly that would exacerbate the current recession by increasing rates for consumers, generating more market confusion due to a lack of personal service from people who are not vested in the transactions, and by delivering a huge blow to small business owners in the industry.

Please re-read, review, and seriously consider my thoughts and comments above. I am not alone in caring about my livelihood, my industry, my clients, and the U.S. free market which makes America so great.

Regards,

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