March 28, 2008

Board of Governors of the Federal Reserve
20th Street and Constitution Ave, NW
Washington, DC 20551

RE: Proposed Changes to Regulation Z

To Whom It May Concern:

After working for a mortgage broker for eight years, I opened a small mortgage company in Louisiana in March 2007. With a background in the hospitality industry, I came into the mortgage industry with a commitment to deliver a high level of service to my customers. That commitment has enabled me to build a loyal base of customers over the past 9 years who come back to me each time they need a mortgage. They know I have always watched out for them to ensure no one takes advantage of them throughout the process.

Somehow, mortgage brokers are being blamed for the housing crisis and now the credit crisis. What is not being discussed is that mortgage brokers are the reason the vast majority of people have access to affordable mortgages today. Because we are paid a yield spread from our investors, we can offer loans with no origination or discount fees. Before brokers existed, banks handled all mortgages and a 1% origination fee was a normal cost of doing business. Brokers have lowered the costs associated with buying a home and the banks have had to follow suit. Currently, the mortgage broker is required to include a disclosure to the customer stating that they can pay our commission and receive a lower rate or they can pay a higher rate and the investor will pay our commission. **Bank originators and correspondent lenders do not have to disclose how they are paid nor do they reflect their commissions on the Good Faith Estimate. Correspondent lenders are paid exactly the way the broker is paid.**

Are you aware of the impact the GSE's new fees are having on consumers across the country? Fannie and Freddie have used the mortgage crisis as an opportunity to pad their balance sheets in hopes of positively impacting their stock price. They are doing this on the backs of the American people! Just 6 months ago a 650-659 credit score was deemed an acceptable indicator of a person's likeliness to repay a debt. Today, that person will be charged 1.75% of their loan amount in a fee to Fannie/Freddie if they can only afford a 5% down payment. When these "fees" first appeared, they were for moderate credit individuals and were phased out for people with credit scores of 680 or better. Within the past month, these "fees" have now been put in place for people **putting down as much as 40% with credit scores as high as 719!** The media has either ignored or chosen not to discuss how this is affecting the 30-year fixed mortgage rate for the average American.

The proposed Fed Rule would put in place some useful consumer protections, but it also would impose significant burdens on mortgage brokers. In particular, 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. That disclosure would have to be made *before* the consumer paid any fee to any person, *and* before submitting an application. Brokers may only receive compensation disclosed in that manner. If there is no such disclosure, the mortgage brokers cannot be paid by any amount by any party, lender or borrower. Loans change constantly right up until the closing preventing the broker from being fully compensated in this proposed environment.

HUD already requires disclosure of yield spread premiums in both the GFE and HUD-1. Mortgage brokers act as an intermediary between borrowers and lenders. If brokers are subjected to the disclosures proposed and other originators are not, the playing field will be grossly uneven. Brokers already are the most heavily regulated part of mortgage industry. We have continuing education requirements, have to be fingerprinted, and are subjected to regularly scheduled audits by state regulators. Small local banks contract their underwriting then sell their loans to the investor with which they are locked. The loan is closed in the bank's name then immediately turned over to the investor. Mortgage brokers function exactly the same way except we use the investor's underwriter which puts more control into the hands of the investor. We cannot close a loan until all of the underwriting guidelines are in place. We have to disclose; they do not.

Mortgage brokers do a good job of providing counseling to prospective borrowers on a daily basis, are good citizens in their respective towns and cities, and are a major part of the mortgage industry. We believe these proposed changes unfairly set us apart from other originators who perform the exact functions we perform and could lead to our demise. Without brokers available to consumers, we will see mortgage lending return to the 1950's with higher costs and fewer choices for consumers.

Sincerely,

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