From: "Shana Sowles" <SSowles@p2pmortgage.com> on 04/01/2008 12:25:04 PM

Subject: Regulation Z

To Whom It May Concern:

My name is Shana Sowles, and I am the Vice President of Person to Person Mortgage, Inc., (Overland Park, KS) servicing homeowners mortgage needs throughout Kansas and Missouri. My business is a small business. Started by my father in 1998, the company now employs myself, my mother, my father and at times other family members, such as my husband, my cousin and my two sisters. We are not very large, but we treat each one of our customers as part of the family.

I am writing because I want to express my support for the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z. However, I want to make very clear my opposition to the fact that the proposal restricts compensation for mortgage brokers. I have a two-year old and a four-year old. I am the primary wage earner for my family. I am not paid commission, but rather a respectable salary from the company. My personal income is not affected by the income derived on each individual loan. I work for the benefit of my customers, and many times have turned them away because while I might have been able to place a loan for them, the loan did not make sense. I have never been unethical in my business practices. If compensation for mortgage brokers is restricted as the FRB proposal states, you might as well tell my two daughters that their mommy doesn't have a job any more. I don't live frivolously. We live in a 35-year old community across from the local high school. My husband and I struggle to pay day care, student loans and our own mortgage. My business will be affected by this proposal. In essence, the mortgage broker will be eliminated. There will be no job for me unless I go to a retail bank and, get this, PERFORM THE SAME JOB I AM DOING NOW! Only, at a retail bank, someone else is my boss. At a retail bank, I do not have to have continuing education. I do not have to be registered. In essence, except for my boss, I have nothing on the line. If I perform unethically, I could lose my job. As a mortgage broker, if I perform unethically, my whole family could lose their livelihoods. There is no difference between a loan officer at a bank, a loan officer at a credit union, a mortgage lender or a mortgage broker. I know of insurance agents who perform the same duties I do. I know of real estate agents who perform the same duties I do. But only I, because I am titled "a mortgage broker," would be restricted in my compensation. If this were to happen, I would essentially be cut out of the marketplace. I don't know about you, but this doesn't seem like the American way. I remember going to history lessons in high school and learning about the Antitrust laws. I'm not a lawyer, I confess, but for the average American, how can you not see that there is a monopoly occurring here? Consumers choices will be limited. Yesterday, I took a call from a customer who had been dealing with her bank for her mortgage refinance. Excellent borrower, over 800 scores, simply wanted to refinance from a 7.25% rate into a lower rate and a shorter term. She didn't want to take any cash out of her home. It is a smart financial move on her part. So she called her bank that she has dealt with for the last 30 years. She got transferred to their mortgage department, where she was connected with a loan officer. The loan officer took her application and then said they would get back with her. That was 5 weeks ago. She calls and calls and gets a different story every time. The loan officer she was originally working with is no longer there. The new loan officer assigned to her file was just that, "new" and had to get acquainted with her loan options. In her words, she "was in mortgage hell."

By the time she gave up and was referred to us, market rates were now higher. I took her application yesterday and am proud to say that subject to a satisfactory appraisal, we should be closing her loan next week. She told me she "appreciated" our willingness to look at her as something other than a number. She wishes there were more people like us out there. I almost told her that if the Federal Government has any say, there won't be any companies like us. Only those big banking instituations will remain, because they are allowed to be compensated.

Mortgage brokers like myself serve as an intermediary between our borrowers and our lenders. We serve BOTH parties. I am restricted in contractual agreements to my lenders not to send fraudulent loans or perform unethical transactions like churning. I live and work among the borrowers I serve. Many of my customers have been members of my own church congregation, or friends from college, or their parents and grandparents, or my next door neighbor. My business, which is highly-based on referral business, is wholly dependent on treating each of those people as I would treat a family member. With respect, honesty and truthfulness. If you want to control "steering" I would consider looking at the mortgage lenders that brokers sign up with. We have been cut off from some lenders because "we don't send them enough business." Other lenders will give us price incentives for sending certain types of loans or numbers of loans to them. How can small companies like ours compete with large banks and mortgage bankers who do exactly that --- steer to just one lender in order to increase their compensation? Most don't pass the price incentives on to the customers. Eliminate incentives. Eliminate lenders' ability to cut brokers/bankers, etc., off just because they don't meet a quota. I'd like the ability to be able to honestly say to my borrowers, I've checked among 20 different lenders today, and this lender has the lowest rate among those ones, rather than say to the customer, I checked with my one or two lenders and because this one pays me more, I am going to quote you this rate. It's ridiculous! Remove the incentives! Not the compensation.

Ask any consumer, and they can't tell you the difference between myself and Joe, the loan officer at the bank down the road. When Lisa, the loan officer from the local credit union calls them, they don't know anything other than the fact that she is also a loan officer. We all take mortgage applications. We all place loans in programs. We use similar names, similar signage and rely on similar marketing. The distinctions between brokers and lenders have blurred in recent years. My borrower can go down to the local Countrywide or Citimortgage retail branch or they can get a loan through Countrywide wholesale with me. Lenders like Countrywide and Citimortgage are typically packaging and reselling the loans on the secondary market. How is that different than what I do?

Any disclosures should apply equally to ALL mortgage originators, even state-chartered banks.

Yield spread primiums are much more than just compensation. Sure, I can forego YSP, but I'm not going to do a loan for free, so I am going to have to charge the customer my income in the form of closing costs. But the local bank, who won't have to disclose their Service Release Premium, can quote the a higher rate but not the closing costs. How does a consumer know what is better for them? They don't usually. They focus on the fees and they'll think that mortgage brokers are high-fee companies. And we will be, because we were forced to be by our competitors lobbying us and our government.

It is IMPOSSIBLE to give a reasonably precise dollar estimate of fees a broker will charge in a transaction, or any loan officer for that matter, before an application is submitted because the loan officer does not know the prospective borrower's financial status, transaction details, type of product sought, or amount of loan, all of which may vary as a transaction progresses. Let me give you an example: If a borrower came to me and said, I need a Good Faith Estimate and without knowing any of the above I put out an ESTIMATE of those costs. Let's then say the customer chooses to work with me. Now I get an application and find out that the borrower is looking for a 15-year, $40,000 mortgage in which they want to take $10,000 cash out of the property. We then also find out that the property is a duplex that the borrower rents out one side. The property is in Kansas. The property has multiple liens against it, all of which will need to be released. Assume the borrower has perfect credit and no income issues.

A $40,000 mortgage will affect what lender I can take that loan to, as many lenders don't even allow loans that size, and if they do there are generally rate hits. By taking cash out of the property, the borrower is now subject to pricing hits by the lender and the secondary investor, like Fannie Mae and FreddieMac. Because the property is an income-producing duplex, rather than a standard 1004 residential appraisal that might cost $325, I now have to request a two-unit apraisal and an operating income statement and a comparable rent schedule (per investor guidelines). That would cost the borrower closer to $600. Since the property is in Kansas, there is also a mortgage registration stamp that must be charged. Multiple liens mean multiple releases, which mean recording costs will likely be higher. Who is required to pay for these extra costs? Or to protect myself, would I have been required to assume all of this from the beginning, and then risk losing another customer who didn't require all these facets because my costs appeared too high?

Consider a recent purchase transaction I had. The real estate agent had negotiated with the buyer that there was a $350 broker transaction fee. However, the buyer did not notify me, nor did the agent. It was not part of the contract that was sent over. In addition, rather than paying for the whole house inspection at time of inspection (which is typical), the borrowers arranged with the inspector to pay for the bill at closing. Further, they also had a pest inspection done that was not a requirement of the loan and sent the bill to be paid at closing. Although my Good Faith Estimate accurately reflected the lender/title/mortgage lender,e tc., fees that are typical in a purchase transaction, the borrower was required to bring nearly $900 more to closing than I had originally told her because of the agent's broker transaction fee and the inspections. I was never made aware of these fees. The customer was upset because her closing costs were higher than she thought they should be. Once I sat down and compared with her the GFE and the final settlement statement and showed that I was ACTUALLY lower than I had originally estimated, and the higher costs were the result of these specific items, she was fine. But it was certainly confusing to a borrower who didn't understand and had I not been at closing with her, would likely have received the blame for these items, although they were just as much as surprise to me as they were to her. The title company was aware of these fees. The real estate agent was aware of these fees. to an extent, the borrower was aware of these fees. But the final settlement statement would not have reflected my original GFE because I was never made aware of these fees.

I plead with you to consider alternatives to the proposed regulation. I am all for consumer protection, but at the same time, the markets need to remain competitive in price, service and selection. Any consumer protection regulation that comes out, MUST APPLY TO ALL MORTGAGE ORIGINATORS, EVEN THOSE WITH FEDERALLY STATE CHARTERED BANKS.

Please do not force me to look at my two little girls and wonder how I'm going to keep them fed, clothed. I love my job. I love my family. I love working with them. I love helping other people. I love knowing that what I do every day makes a difference.

This regulation will take all of that away.

T'hank you for your consideration.

Shana L Sowles, CRMS*

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"Choose a good reputation over great riches, for being held in high esteem is better than having silver or gold." ~Proverbs 22:1

*Is *your* loan officer a Certified Residential Mortgage Specialist(CRMS)? The CRMS is a national designation of professionalism. Designees go through a rigorous certification program designed to recognize loan officers who have attained the highest levels of professional expertise. A CRMS designation is gained only once the candidate has met certain requirements of experience and knowledge and has passed a written examination. Does your loan officer have the experience and knowledge to help you with *your* mortgage needs? I DO!