Residential Mortgage Services, Inc.
5800 Hidden Lane Edina Minnesota 55436 612-723-8628

April 7, 2008

Board of Governors of the Federal Reserve System
Ben S. Bernanke
Donald L. Kohn
Kevin M. Warsh
Randall S. Kroszner
Frederic S. Mishkin

Re: Proposed Rule Amending Regulation Z

Gentlemen;

I am Marce Jost, President of Residential Mortgage Services, Inc. (RMS). I am a member of the Minnesota Mortgage Association (MMA), representing Brokers, Bankers, Lenders, and affilliates. I am a Certified Instructor for the National Association of Mortgage Brokers, Inc., dedicated to integrity and professionalism in the mortgage industry. My career in this industry spans over 35 years.

Minnesota mortgage brokers and state chartered banks are regulated by the Minnesota Department of Commerce (DOC), albeit under separate sections of the law. RMS supports the goal of the Federal Reserve in its efforts to clarify disclosure and establish a fair system to assist consumers' understanding in completing a fair and equitable mortgage transaction. We do not, however, support the curtailment or elimination of premium compensation which is proposed in the current rule amending Regulation Z.

Yield Spread Premium (YSP), is a fee paid to mortgage Brokers by a mortgage Lender, based on several lending factors as they relate to the value of the mortgage note. YSP is a significant factor in lending. YSP provides profit; coverage for FNMA/FHLMC and Lender delivery fees, as well as loan program opportunities for both borrower(s) and Broker(s).

Yield Spead Premium (YSP) is a critical element in structuring loans, as well as profitablity in the entire industry. YSP is an unknown factor until the point of product selection, and the borrower(s) choose to lock in the rate. A thorough understanding of the role of YSP in mortgage lending reveals it as the means by which all loans create a real income for the originator, whether they are the broker or the lender. In short, it keeps the costs to the borrower(s) down.

Yes, Lenders too, consider the YSP value when they originate a loan. It is inherent in every lender-originated transaction, but hidden in the value of the servicing. But that isn't the crux of the matter.

Eliminating the YSP will remove or, at least, limit the option for a borrower to include their closing costs in their mortgage. Borrowers short on cash currently have the option of opting for a slightly higher rate in lieu of paying for their closing costs. Buyers will be required to come to closing with more cash. This is in a time when "low / no downpayment" loans are being eliminated from the marketplace.

Consumers have a wide variety of choices in both product as well as originators, including but not limited to Brokers, Bankers, Lending Institutions, Credit Unions, even Wall Street Firms. In this arena, Brokers are treated differently than their counterparts based on the differences in "funding" loans; not the "origination" function of loans.

Consumers are not able to understand why Brokers disclose YSP and other channels do not. In fact, many seek to confuse this issue by simply saying that Brokers are a rip off and YSP is an illegal kickback. If ***all originators*** were obligated to disclose their YSP, it would be be much more clear as that its function exists in the overall industry, not just the broker world.

Why are the Brokers being singled out so as not to benefit from the (YSP) value created when they originate loans? ***Not letting the Broker community participate in this revenue is detrimental to their small business, and sets up an unfair and uneven playing field on main street of America. Why not have all originators disclose the profit on the "backside" of the tranaction, whether it is actual or estimated, at time of origination?***

Regarding early disclosure of fees, disclosure is a cornerstone of fair dealing and best business practices; we agree on the benefits to the consumer of early disclosure. However, it is imperative that we as Brokers and Lenders have all the data required to make an accurate disclosure to the borrower(s). ***It is unreasonable to expect an accurate disclosure of fees prior to knowing the loan amount and product or Lender, as these vary by institution and we as Brokers work with several institutions, not just one.***

In regards to licensing and regulation, Mortgage Brokers currently abide by a miriad of state and federal laws with regard to disclosure, cost and fee limitations, fair lending, and best business practices. I suggest to the Federal Resrve that it consider an "all originator" approach to regulation of our industry. If a depository bank wants to sell insurance or securities, does that institution not need the appropriate licensing and training and education for its employees to participate in that business? The mortgage transaction is an area of expertise, and proper consultation to discover a best choice for the consumer is critical. Therefore, all involved in the origination of a mortgage loan (brokers, bankers, credit unions, etc.) should be properly trained and licensed; not just mortgage brokers. A system of continuing education would serve to enhance the knowledge base and esteem of the entire industry.

Thank you for consideration of these points. We are just asking for an even origination field. You have the power to do that.

Yours very truly,

Marce Jost, President

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