October 16, 2009

To: The Federal Reserve Board
Fr: Marc S. Savitt, CRMS

Re: Proposed Rule regarding Originator Compensation

CC: Kathleen Ryan, Allen Fishbein, Paul Mondor

Please accept this correspondence and its attachments, as my comments regarding mortgage originator compensation.

Although, I am a former President of the National Association of Mortgage Brokers, I am submitting these comments as the owner of a small mortgage brokerage, who in January will celebrate its 25^{th} year.

Originator Compensation

In a recent meeting with the FRB, I asked those assembled, "Do you consider mortgage broker in-direct compensation (YSP), an unfair and/or deceptive practice?" Mr. Fishbein, Ms. Ryan and Mr. Mondor all answered "NO." This is important, as the FRB is attempting to eliminate or alter a legitimate form of compensation, which benefits both consumers and industry.

The proposed rule speaks to altering an originator's compensation by replacing what is currently percentage based with a "flat fee." Moreover, banks and lenders would be exempt, but mortgage brokers, specifically their businesses, would not be exempt.

Mortgage brokers are not just originators, we are businesses! We operate like every other business in this country, including banks. We are employers and have payrolls to meet. We have a number of significant expenses in running a business which includes, rent, utilities (normal overhead), taxes, licensing fees, advertising, bonding fees, equipment leasing, continuing education and much more. Those who have operated their own business would understand this.

Non-owner originators, who work for banks and mortgage brokerages, have some expenses too. With the implementation of the SAFE Act, originators have additional licensing and education expenses. These in no way compare with a mortgage brokerage business; nevertheless they're not without expenses.

In addition, in-direct compensation for mortgage brokers is already capped. Wholesale lenders restrict brokers from receiving more than 3.5% in YSP. On the other hand, banks and lenders have no caps on their in-direct compensation, as evidenced by the attachments and the documentation given to Ms. Ryan, Mr. Fishbein and Mr. Mondor.

I also believe the FRB lacks the authority to restrict and/or alter compensation. The FRB's authority appears to be limited to "consumer disclosures."

I also learned in my recent meeting with the FRB, no studies were conducted in preparation of the proposed rule. The attorneys mentioned "anecdotal evidence" was considered. As the recipient of a possibly bad decision by my government, which would have the force to put me out of business, this alarms me. The definition of anecdotal evidence reads in part, "untrustworthy" and "unreliable."

Make no mistake about it, should the FRB restrict broker compensation, whether direct or in-direct, brokers will go out of business. For years, brokers have provided competition to the market place. Fewer participants in mortgage financing will create increased costs for consumers. Moreover, this is already happening as evidenced by the documentation I presented during our recent meeting.

Broker market share has dropped substantially in the last 3 years due to relentless and undeserved media attacks. These attacks were orchestrated by those who developed questionable programs, set the guidelines and approved loan files. We were the scapegoats!

When I studied economics in college, I specifically remember my professor emphasizing over and over about the basics of compensation and profits in a free market society. The lesson was, if you charge a mark up in percentage for the goods and services you offer, you'll always stay profitable and in business. If your compensation is dollar based, it's a recipe for going out of business.

I encourage the FRB to strengthen consumer disclosures through testing. I'm convinced you'll find that if you treat all channels of distribution equally, consumers will benefit. The FRB needs to level the paying field for consumers. I suggest simplified disclosures that require all originators to disclosure the exact same information on the exact same forms.

Congress and the regulators all want full disclosure and complete transparency. No one currently meets these proposed requirements in the mortgage finance industry, EXCEPT MORTGAGE BROKERS. Since 1992, we have disclosed every dime of our compensation, including in-direct. We make these disclosures at time of application and again at settlement. We hide nothing! However, banks and lenders have the ability to hide compensation and do just that. For years they have denied receiving in-direct compensation, or said they won't know what that compensation will be until after settlement. The evidence I presented to you at our meeting clearly proves they have been less than truthful. They know exactly what all their compensation will be every time they lock-in a loan, or quote an interest rate to a consumer.

They also have been known to claim their in-direct compensation is a secondary market transaction. This is another excuse not to disclose. If a consumer is paying for their compensation, either in rate or up front fees, then a consumer has the right to know what that compensation is.

Let's make this about true consumer protection and full disclosure by all market participants and not about picking winners and losers. Finalizing a rule that restricts compensation in any manner for mortgage brokers will eliminate our channel and harm the consumer. After 25 years of operating my business honestly and ethically, I will be out of business, while the bank across the street will continue to operate receiving secretly compensation and with taxpayer bailouts.

I would also suggest the FRB work with HUD to harmonize disclosures and not have them contradict each other.

Thank you for the opportunity to comment.

Marc S. Savitt

Marc S. Savitt, CRMS (Certified Residential Mortgage Specialist)
President, The Mortgage Center

115 Aikens Center, Ste. 20-B
Martinsburg, WV 25404

540-550-4496

msavitt@mortgagefinancing.com

Loan Economics [redacted]
Prepared By [redacted]
Loan Number: [redacted] LPO: 5472
Lock Date: October 2002 Close Date: January 2003

INPUT INFORMATION

Loan Amount	$200,000
LTV	75%
SRP — Pricing	101.750 Price - NOT DISCLOSED
Origination Fee	2.500% - DISCLOSED
Property State	TX
Family	CONV/Conforming
Loan Type	Conventional
Product	20 - 30 Yr. Fixed Rate
Purpose	Equity Refinance (Cash Out)
Program	None
Loan/Line Amt	$0
LPMI	N
Convertible ARM	N
Escrow Collected	Y
Low/Mod Income	N
Promotion	N

Soft Dollars	$0
Net Earned Fees	$0
Misc Revenue	$0
Commission Rate	45 BPS
HMC Share in Underage	0%
HMC Share in Overage	0 - ?
Shared Commission	0 BPS
Direct Cost per Loan	$3,447
Home Office Allocation	$590
Operations Expense	$545
Bonus/Override	13 BPS ?

Cash Out Refi

REVENUE

Origination Fee	$5,000
Servicing Value	$3,782
Warehouse Credit	$0
LPMI Incentive - ?	$0
Soft Dollar Credits Earned	$0
Net Earned Fees	$0
Overage/Underage	$3,500 SRP
Misc Revenue	$0
Total Revenue	$12,282

EXPENSES

Direct Cost per Loan	$3,447
Commissions	$900
Home Office Allocation	$590
Operations Expense	$545
Bonus/Override	$260
Total Expenses	$5,742

NOI Threshold 90 BPS

SCENARIO SUMMARY

Net Income $	$6,540
Net Income BPS	327
HMC Commission	$900
Shared Commission	$0

BOOK OF BUSINESS SUMMARY

	January	YTD
Branch Net Income $	$14,856	$29,498
Net Income BPS	219	146
Net Income/Loan	$2,971	$2,269
Volume	$677,344	$2,014,644
HMC Commission	$5,231	$10,397

SRP of 1.75% = $3500.00 (NOT DISCLOSED)
Lender calls it an "Overage" (see above)
Net to lender $12,282.00 on a 200K loan,
Over 6%

[redacted] [redacted]

[redacted]

JAN 31 2003 13:03 [redacted]
01/28/2003 14:18 [redacted] 8 [redacted]
N/S LOI [redacted]

003

PAGE 2 OF OMB No. 2502-0265

File 02160526

L. SETTLEME[illegible]T CHARGES

	PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. TOTAL SALES/BROKER'S COMMISSION Based on $ @ % =		
Division of Commission (line 700) as follows:		
701. $ to		
702. $ to		
703. Commission paid at settlement		
704.		
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.		
801. Loan Origination fee 1.00000 % [redacted]	2,000.00	
802. Loan Discount %		
803. Appraisal fee to		
804. Credit Report to		
805. [illegible] ADMIN FEE to [redacted]	2,000.00	
806. Mortgage Insurance application fee to		
807. Assumption Fee to		
808. [illegible] COMMITMENT FEE to [redacted]	1,000.00	
809. FNMA Processing Fee to		
810. Pictures to		
811. to		
812. to		
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.		
901. Interest from 01/31/03 to 02/01/03 @$ 34.25000 /day 1 day	34.25	
902. Mortgage insurance premium for mo. to		
903. Hazard insurance premium for yrs. to		
904. Flood Insurance yrs. to		
905.		
1000. RESERVES DEPOSITED WITH LENDER		
1001. Hazard insurance mo.@$ per mo.		
1002. Mortgage insurance mo.@$ per mo.		
1003. City property taxes mo.@$ per mo.		
1004. County property taxes 3 mo.@$ 512.46 per mo.	1,537.38	
1005. Annual assessments (Maint.) mo.@$ per mo.		
1006. School Property Taxes mo.@$ per mo.		
1007. Water Dist. Prop. Tax mo.@$ per mo.		
1008. Flood Insurance mo.@$ per mo.		
1009. Aggregate accounting adjustment	(512.41)	
1100. TITLE CHARGES:		
1101. Settlement or closing fee to		
1102. Abstract or title search to		
1103. Title examination to		
1104. Title insurance binder to		
1105. Document preparation to BEADLES, NEWMAN & LAWLER	250.00	
1106. Notary fee to		
1107. Attorney's fee to to BURTON & JOHNSON	55.00	
(includes above items No.:)		
1108. Title insurance to [redacted]	1,597.00	
(includes above items No.:)		
1109. Lender's coverage 200,000.00 $ 1,597.00		
1110. Owner's coverage $		
1111. Escrow fee to [redacted] Y	150.00	
1112. Restrictions to		
1113. Messenger Service to [redacted]	66.00	
1114. T42/T42.1 to [redacted] Y	380.50	
1200. GOVERNMENT RECORDING AND TRANSFER C[redacted]		
1201. Recording fees: Deed $ Mrtg $ 45.00 Rel. $ APF 18.00	63.00	
1202. City/county tax/stamps: Deed $ Mrtg $		
1203. State tax/stamps: Deed $ Mrtg $		
1204. Tax certificates to CHARTER TITLE COMPANY	56.27	
1205. to		
1206. to		
1300. ADDITIONAL SETTLEMENT CHARGES		
1301. Survey to		
1302. Pest inspection to		
1303. RLS SERVICE to THE OUTSOURCE RELEASE CO.	30.00	
1304. to		
1305. to		
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103, Section J and 502, Section K)	8,707.01	

CERTIFICATION: I have carefully reviewed the HUD-1 Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

Borrowers

Sellers

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

Settlement Agent

Date

WARNING: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18: U.S. Code Section 1001 and Section 1010.

** TOTAL PAGE.02 **

Loan Economics [redacted]
Prepared By [redacted]
Loan Number: [redacted]
Lock Date: December 2002 Close Date: January 2003

INPUT INFORMATION

Loan Amount	$171,500
LTV	50%
Pricing	101.250 Price NOT DISCLOSED
Origination Fee	0.000%
Property State	TX
Family	CONV/Conforming
Loan Type	Conventional
Product	10 - 15 Yr. Fixed Rate
Purpose	Rate-Term Refinance
Program	None
Loan/Line Amt	$0
LPMI	N
Convertible ARM	N
Escrow Collected	N
Low/Mod Income	N
Promotion	N

SRP —

Soft Dollars	$0
Net Earned Fees	$500
Misc Revenue	$0
Commission Rate	45 BPS
HMC Share in Underage	0%
HMC Share in Overage	50%
Shared Commission	0 BPS
Direct Cost per Loan	$800
Home Office Allocation	$590
Operations Expense	$545
Bonus/Override	13 BPS ?

REVENUE

Origination Fee	$0
Servicing Value	$2,029
Warehouse Credit	$0
LPMI Incentive – ?	$0
Soft Dollar Credits Earned	$0
Net Earned Fees	$500
Overage/Underage	$2,144
Misc Revenue	$0
Total Revenue	$4,673

EXPENSES

Direct Cost per Loan	$800
Commissions	$986
Home Office Allocation	$590
Operations Expense	$545
Bonus/Override	$223
Total Expenses	$3,144

NOI Threshold 90 BPS

SCENARIO SUMMARY

Net Income $	$1,529
Net Income BPS	89
HMC Commission	$986
Shared Commission	$0

BOOK OF BUSINESS SUMMARY

	January	YTD
Branch Net Income $	$14,426	$29,068
Net Income BPS	213	144
Net Income/Loan	$2,885	$2,236
Volume	$677,344	$2,014,644
HMC Commission	$5,661	$10,827

SRP of 1.25% = $2143.75

No up front fees!

Lender made $4673 –

on this loan, or 2.75%.

This was at 0% disclosed!

[redacted] [redacted] [redacted]

Loan Economics[redacted]
Prepared By[redacted]
Loan Number: [redacted]
Lock Date: November 2002 Close Date: January 2003

INPUT INFORMATION

Loan Amount	$60,294
LTV	97%
Pricing	103.125 Price "NOT" DISCLOSED
Origination Fee	1.000% DISCLOSED
Property State	TX
Family	Government
Loan Type	FHA
Product	30 Yr. Fixed Rate
Purpose	Purchase, not a Refinance
Program	Renovation
Loan/Line Amt	$0
LPMI	N
Convertible ARM	N
Escrow Collected	Y
Low/Mod Income	Y
Promotion	N

SRP –

Soft Dollars	$0
Net Earned Fees	$475
Misc Revenue	$350 - [illegible]
Commission Rate	50 BPS
HMC Share in Underage	0%
HMC Share in Overage	50%
Shared Commission	0 BPS
Direct Cost per Loan	$800
Home Office Allocation	$295
Operations Expense	$545
Bonus/Override	13 BPS

REVENUE

Origination Fee	$603
Servicing Value	$1,692
Warehouse Credit	$0
LPMI Incentive	$0
Soft Dollar Credits Earned	$0
Net Earned Fees	$475
Overage/Underage – SRP	$1,884
Misc Revenue	$350
Total Revenue	$5,004

EXPENSES

Direct Cost per Loan	$800
Commissions	$1,243
Home Office Allocation	$295
Operations Expense	$545
Bonus/Override	$78
Total Expenses	$2,961

NOI Threshold 100 BPS

SCENARIO SUMMARY

Net Income $	$2,043
Net Income BPS	339
HMC Commission	$1,243
Shared Commission	$0

BOOK OF BUSINESS SUMMARY

	January	YTD
Branch Net Income $	$14,721	~~$29,303~~
Net Income BPS	217	146
Net Income/Loan	$2,944	$2,259
Volume	$677,344	$2,014,644
HMC Commission	$5,661	$10,827

SRP of 103.125 = 3.125%, or $ 1,884.19. NOT DISCLOSED!

Total Revenue to lender $ 5,004. over 8%

[redacted] [redacted]

Loan Economics Fo[redacted]
Prepared B[redacted]
Loan Number: [redacted]
Lock Date: November 2002 Close Date: January 2003

INPUT INFORMATION

Loan Amount	$130,550
LTV	97%
SRP — Pricing	103.250 Price NOT DISCLOSED!
Origination Fee	1.000%
Property State	TX
Family	Government
Loan Type	FHA
Product	30 Yr. Fixed Rate
Purpose	Purchase, not a Refinance
Program	Renovation
Loan/Line Amt	$0
LPMI	N
Convertible ARM	N
Escrow Collected	Y
Low/Mod Income	N
Promotion	N

Soft Dollars	S0
Net Earned Fees	S475
Misc Revenue	($1,811)
Commission Rate	50 BPS
HMC Share in Underage	0%
HMC Share in Overage	50%
Shared Commission	0 BPS
Direct Cost per Loan	$800
Home Office Allocation	$590
Operations Expense	$545
Bonus/Override	13 BPS

[redacted]

REVENUE

Origination Fee	$1,306
Servicing Value	$3,663
Warehouse Credit	$0
LPMI Incentive	$0
Soft Dollar Credits Earned	$0
Net Earned Fees	$475
Overage/Underage — SRP	$4,243
Misc Revenue	($1,811)
Total Revenue	$7,876

EXPENSES

Direct Cost per Loan	$800
Commissions	$1,942
Home Office Allocation	$590
Operations Expense	$545
Bonus/Override	$170
Total Expenses	$4,047

NOI Threshold 100 BPS

SCENARIO SUMMARY

Net Income $	$3,829
Net Income BPS	293
HMC Commission	$1,942
Shared Commission	$0

BOOK OF BUSINESS SUMMARY

	January	~~YTD~~
Branch Net Income $	~~$15,156~~	$29,798
Net Income BPS	~~224~~	148
Net Income/Loan	$3,031	$2,292
Volume	$677,344	$2,014,644
HMC Commission	$4,931	$10,097

SRP (3.25%) NOT DISCLOSED
or $ 4242.88

Total Revenue to lender
$ 7876. over 6%

[redacted] [redacted]

FEDERAL TRUTH IN LENDING DISCLOSURE STATEMENT
Real Estate Loans

Loan Center JACKSONVILLE LS LOAN CENTER No. 2655 Loan No. 3312680337

Principal Amount of Proposed Loan 107,544.87 Expected Funding Date 09/21/09

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.
6.201 %	$ 127,036.78	$ 105,087.62	$ 232,124.40

1. **Payment Schedule.**
Your payment schedule will be:

Number of Payments	Payments Are Due MONTHLY Beginning	Amount of Payments **	Number of Payments	Payments Are Due MONTHLY Beginning	Amount of Payments **
360	11/01/09	644.79			

Interest Rate approx. 6%

Based on current rates lender made Approx. 4% in SRP. SRP was NOT disclosed.

2. **Security and Property Insurance.**
You are giving a security interest in real estate at:
1202 SACRAMENTO, PORTLAND, TX 78374-4174
You may obtain property insurance from anyone you want who is acceptable to the Lender.
3. **Late Payment.**
If a payment is not received by the Lender by its first banking day which is at least 15 days after the payment due date, you will be charged 5.0 % of the payment.
4. **Prepayment.**
If you pay off early, you [X] will not [ ] may have to pay a prepayment penalty.
[ ] If you prepay your loan on other than the regular installment date, you may be assessed interest charges until the end of the month.
[ ] You may be entitled to a refund of the mortgage insurance premium from HUD.
You [X] will not [ ] may be entitled to a refund of part of the finance charge.

[X] 5. **Assumption Policy.**
[X] Someone buying your home cannot assume the remainder of your loan on its original terms.
[ ] Someone buying your home may be allowed to assume the remainder of your loan on its original terms, subject to certain conditions stated in your loan documents.

[ ] 6. **Variable Rate.**
Your loan contains a variable rate feature. Disclosures about the variable rate feature have been provided to you earlier.

[ ] 7. **Required Deposit.**
The annual percentage rate does not take into account your required deposit.

8. See your loan documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, prepayment refunds and penalties.

9. **Certain Security Interest Charges.** PLEASE SEE THE GOOD FAITH ESTIMATE AND HUD-1 FOR THESE FEES.
Recording/filing $______ ______ $______
Lien release recording/filing $______ ______ $______

10. The loan applied for will not be secured by any contractual lien except that resulting from the mortgage or deed of trust covering the security described in the Security and Property Insurance Section.

**The payment amount does not include a tax and insurance reserve.

BANK OF AMERICA, N.A. ("LENDER"), (800) 810-1434

(Printed on Sep 14, 2009 @ 11:18) US Department of Housing and Urban Development OMB No. 2502-0265

A.

SETTLEMENT STATEMENT

B. Type of Loan			
1. [] FHA 2. [] FmHA 3. [X] Conv. Unins. 4. [] VA 5. [] Conv. Ins.	6. File Number: 10-01247559	7. Loan Number: [redacted]	8. Mortgage Ins. Case #:
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement ag[redacted] "POC" were paid outside the closing; they are shown here for information purposes and are not included in the totals.			
D. NAME AND ADDRESS OF[redacted]			
E. NAME AND ADDRESS OF SELLER:			
F. NAME AND ADDRESS OF LENDER: BANK OF AMERICA - CRESS & TSP 1831 CHESTNUT ST SAINT LOUIS, MO, 63103			
G. PROPERTY LOCATION: 1202 SACRAMENTO[redacted]			
H: SETTLEMENT AGENT: First American Title Company PLACE OF SETTLEMENT: 2605 ENTERPRISE ROAD EAST, SUITE #300, CLEARWATER, FLORIDA 33759			
I. SETTLEMENT DATE: 09/15/2009		DISBURSEMENT DATE:09/21/2009	

J. SUMMARY OF BORROWER(S) TRANSACTION		K. SUMMARY OF SELLER(S) TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER :		**400. GROSS AMOUNT DUE TO SELLER :**	
101. Contract Sales price		401. Contract sales price	
102. Personal Property		402. Personal Property	
103. Settlement charges to borrower (line 1400)	$6,178.18	403.	
104. Payoff Mortgage To: BANK OF AMERICA	$101,612.50	404.	
105. Payoff Second Mortgage To:		405.	
Adjustments for items paid by Seller in advance		Adjustments for items paid by Seller in advance	
106. City/town taxes		406. City/town taxes	
107. County taxes		407. County taxes	
108. Assessments		408. Assessments	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower	$107,790.68	**420. Gross Amount Due Seller**	$0.00
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER :		**500. REDUCTIONS IN AMOUNT DUE TO SELLER :**	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	$107,544.87	502. Settlement charges to seller (line 1400)	$0.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205. Lender Premium Pricing Credit		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by Seller		Adjustments for items unpaid by Seller	
210. City/town taxes		510. City/town taxes	
211. County taxes		511. County taxes	
212. Assessments		512. Assessments	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower	$107,544.87	**520. Total Reduction Amount Due Seller**	$0.00
300. CASH AT SETTLEMENT FROM/TO BORROWER :		**600. CASH AT SETTLEMENT TO/FROM SELLER :**	
301. Gross Amount due from borrower (line 120)	$107,790.68	601. Gross amount due to seller (line 420)	$0.00
302. Less amounts paid by/for borrower (line 220)	$107,544.87	602. Less reductions in amt. due seller (line 520)	$0.00
303. Cash [X] From [] To Borrower	$245.81	**603. Cash [] From [] To Seller**	$0.00

Parties agree that no liability is assumed by Settlement Agent for the accuracy of information furnished by others as shown on the Settlement Statement.
Agent hereby expressly reserves the right to deposit any amounts collected for disbursement in an interest bearing account in a Federally Insured Institution, and to credit any interest so earned to its own account.

SELLER(S):

(Printed on Sep 14, 2009 @ 11:16) US Department of Housing and Urban Development OMB No. 2502-0265

L.

SETTLEMENT CHARGES

	Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
700. Total Sales/Broker's Commission based on price		
701. Listing Realtor Commision		
702. Selling Realtor Commision		
703. Commission paid at Settlement		
704.		

800. ITEMS PAYABLE IN CONNECTION WITH LOAN

801. Loan Origination Fee to BANK OF AMERICA, N.A.		
802. Loan Discount to BANK OF AMERICA, N.A.	$1,075.45	
803. Appraisal Fee to HOMEFOCUS SERVICES, LLC. POCL $35.00		
804. Credit Report to TRANS UNION POCL $.80		
805. Flood Cert Fee to HOMEFOCUS SERVICES, LLC. POCL $11.00		
806. Application Fee to BANK OF AMERICA, N.A. (B) POC $400.00		
807. Tax Service Contract Fee to HOMEFOCUS TAX SERVICES, LLC. POCL $89.00		
808. Lender Closing Fee to BANK OF AMERICA, N.A.	$775.00	
809.		
810.		
811.		

Should have been used to buy down rate, but it appears that didn't happen.

900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE

901. Interest from 09/21/2009 TO 10/01/2009 @$17.68/DAY	$176.80	
902. Mortgage Insurance Premium for		
903. Hazard Insurance Premium for		
904.		
905.		

1000. RESERVES DEPOSITED WITH LENDER

1001. Hazard insurance 7 months @ $36.84 per month	$257.88	
1002. Mortgage insurance		
1003. City property taxes		
1004. County property taxes 12 months @ $230.30 per month	$2,763.60	
1005. Annual assessments		
1006.		
1007.		
1008.		
1009.		
1010. Aggregate Adjustment	$-257.95	$0.00

1100. TITLE CHARGES

1101. Settlement or closing fee		
1102. Abstract or title search		
1103. Title examination		
1104. Title insurance binder		
1105. Document preparation		
1106. Notary Fees		
1107. Attorney's Fees		
(Includes above item numbers:)		
1108. Title insurance 90% TO STEWART TILE OF CORPUS CHRISTI, INC./// 10% TO FIRSTA MERICAN TITLE CO.	$671.25	
(Includes above item numbers:)		
1109. Lender's coverage ($107,544.87 = $883.00)		
1110. Owner's coverage		
1111. Escrow Fee to FIRST AMERICAN TITLE COMPANY	$420.00	
1112. Guaranty Fee to FIRST AMERICAN TITLE COMPANY / TX TIG	$5.00	
1113.		

1200. GOVERNMENT RECORDING AND TRANSFER CHARGES

1201. Recording fees: Mortgage Filing Fee	$142.00	
1202. City/county tax/stamps:		
1203. State tax/stamps:		
1204.		
1205.		

1300. ADDITIONAL SETTLEMENT CHARGES

1301. Survey		
1302. Pest inspection		
1303. HOA Fee OPC Refinance Fee to		
1304. Shipping Fee to FIRST AMERICAN TITLE COMPANY	$30.00	
1305. Tax Cert Fee to NATIONAL TAX NET	$25.00	
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)	$6,178.18	$0.00

I have carefully reviewed the HUD-1 Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

BORROWER(S): [redacted]

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement

First American Title Company **Date**

NOTE: Taxes have been prorated based on taxes for the year. Any re-proration will be handled between the buyer and seller. All utility bills (water, sewer, electric, cable and maintenance fees) have been paid or will be paid upon receipt of final bills.

WARNING: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine or imprisonment. For details see: Title 18 U.S. Code Section 1001 and Section 1010.

(Printed on Sep 14, 2009 @ 11:16) US Department of Housing and Urban Development OMB No. 2502-0265

L.

SETTLEMENT CHARGES - ADDENDUM

800. ITEMS PAYABLE IN CONNECTION WITH LOAN (CONTINUED)	Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
812.		
813.		
814.		
815.		
816.		
817.		
818.		
819.		
820.		
821.		
822.		
1100. TITLE CHARGES (CONTINUED)		
1114. ENDORSEMENT T-19 90% TO STEWART TILE OF CORPUS CHRISTI, INC./// 10% TO FIRSTA MERICAN TITLE	$44.15	
1115. ENDORSEMENT T-36 90% TO STEWART TILE OF CORPUS CHRISTI, INC./// 10% TO FIRSTA MERICAN TITLE	$25.00	
1116. ENDORSEMENT T-30 90% TO STEWART TILE OF CORPUS CHRISTI, INC./// 10% TO FIRSTA MERICAN TITLE	$20.00	
1117. ENDORSEMENT R-24 90% TO STEWART TILE OF CORPUS CHRISTI, INC./// 10% TO FIRSTA MERICAN TITLE	$5.00	
1118.		
1119. ENDORSEMENT T-33 TO: FIRST AMERICAN TITLE COMPANY		
1120. ENDORSEMENT T-17/T-28 (CONDO) TO: FIRST AMERICAN TITLE COMPANY		
1121.		
1122. ENDORSEMENT T-42		
1123. ENDORSEMENT T-42.1		
1124.		
1125.		
1126.		
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES (CONTINUED)		
1206.		
1207.		
1208.		
1209.		
1210.		
1300. ADDITIONAL SETTLEMENT CHARGES (CONTINUED)		
1306.		
1307.		
1308.		
1309.		
1310.		
1311.		
1312.		
1313.		
1314.		
1315.		
1316.		
1317.		
1318.		
1319.		
1320.		
1321.		
1322.		
1323.		
1324.		
1325.		
1326.		
1327.		
1328.		
1329.		
1330.		

BORROWER(S):

[redacted]

SELLER(S):

[redacted]

Coupon:	5.500	6.000
11/21/08	100.375	101.469
11/22/08	100.500	101.063
	0.125	0.594
PAGE 1 OF 2	Pricing Adj.	[illegible]

Note:
See Changes to Bridge Pricing.
Dr. Special Extended through Nov. 28

RETAIL DIVISION

EFFECTIVE DATE: 11/24/08
EFFECTIVE TIME: 9:35 AM
RATE SHEET #: 2008 228

CONVENTIONAL CONFORMING - AGENCY (FNMA & FHLMC) PRODUCT LINE

30 / 25 YR FIXED		30 YR - SunTrust ARM ALTERNATIVE				20 YR FIXED		15 YR FIXED		10 YR FIXED	
45 DAY:	-0.125	45 DAY:	-0.125	Lender Funded		45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125
30 DAY:	-0.375	30 DAY:	-0.375	2 - 1 Buydown		30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375
15 DAY:	-0.500	15 DAY:	-0.500	BYDN CODE: 050		15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500
RATE	60 DAY	RATE YR 1	RATE YR 2	RATE YR 3-30	60 DAY	RATE	60 DAY	RATE	60 DAY	RATE	60 DAY
7.500	-1.750	5.250	6.250	7.250	1.000	7.500	-2.125	6.875	-0.625	7.625	-1.375
7.375	-1.625	5.125	6.125	7.125	1.250	7.375	-2.000	6.750	-0.500	7.500	-1.125
7.250	-1.250	5.000	6.000	7.000	1.375	7.250	-1.625	6.625	-0.375	7.375	-1.000
7.125	-1.000	4.875	5.875	6.875	1.625	7.125	-1.250	6.500	-0.125	7.250	-1.000
7.000	-0.875	4.750	5.750	6.750	1.625	7.000	-1.125	6.375	0.000	7.125	-0.875
6.875	-0.750	4.625	5.625	6.625	1.750	6.875	-0.875	6.250	0.000	7.000	-0.750
6.750	-0.750	4.500	5.500	6.500	1.875	6.750	-0.625	6.125	0.125	6.875	-0.625
6.625	-0.625	4.375	5.375	6.375	2.125	6.625	-0.500	6.000	0.375	6.750	-0.625
6.500	-0.375					6.500	-0.375	5.875	0.625	6.625	-0.500
6.375	-0.125					6.375	-0.250	5.750	0.625	6.500	-0.250
6.250	-0.125					6.250	0.125	5.625	0.750	6.375	-0.125
6.125	0.000					6.125	0.250	5.500	1.125	6.250	-0.125
6.000	0.250					6.000	0.500	5.375	1.500	6.125	0.000
5.875	0.625					5.875	0.750	5.250	2.000	6.000	0.250
5.750	0.875					5.750	1.125	5.125	2.375	5.875	0.500
5.625	1.125					5.625	1.375	5.000	2.750	5.750	0.500

30 YR - FNMA EAP (without TPR)				15 YR - FNMA EAP (without TPR)				40 YR FIXED	
45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125
30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375
15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500
LEVEL I		LEVEL II		LEVEL I		LEVEL II			
RATE	60 DAY	RATE	60 DAY	RATE	60 DAY	RATE	60 DAY	RATE	60 DAY
8.250	-0.875	8.625	-0.875	7.375	0.000	7.750	0.000	7.625	0.125
8.125	-0.750	8.500	-0.750	7.250	0.125	7.625	0.125	7.500	0.250
8.000	-0.625	8.375	-0.625	7.125	0.375	7.500	0.375	7.375	0.375
7.875	-0.250	8.250	-0.250	7.000	0.500	7.375	0.500	7.250	0.750
7.750	0.000	8.125	0.000	6.875	0.500	7.250	0.500	7.125	1.000
7.625	0.125	8.000	0.125	6.750	0.625	7.125	0.625	7.000	1.125
7.500	0.250	7.875	0.250	6.625	0.875	7.000	0.875	6.875	1.250
7.375	0.250	7.750	0.250	6.500	1.125	6.875	1.125	6.750	1.375
7.250	0.375	7.625	0.375	6.375	1.125	6.750	1.125	6.625	1.500
								6.500	1.625

5 YR BALLOON		7 YR BALLOON	
45 DAY:	-0.125	45 DAY:	-0.125
30 DAY:	-0.375	30 DAY:	-0.375
15 DAY:	-0.500	15 DAY:	-0.500
RATE	60 DAY	RATE	60 DAY

Product Eliminated effective 11.07.08

AGENCY 3/1 ARM		AGENCY 5/1 ARM		AGENCY 7/1 ARM		AGENCY 10/1 ARM	
45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125
30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375
15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500
CAPS: 2/6		CAPS: 5/2/5		CAPS: 5/2/5		CAPS: 5/2/5	
MARGIN: 2.250		MARGIN: 2.250		MARGIN: 2.250		MARGIN: 2.250	
RATE	60 DAY	RATE	60 DAY	RATE	60 DAY	RATE	60 DAY
6.750	-0.125	6.625	-0.750	6.875	-0.625	7.000	-0.625
6.625	0.000	6.500	-0.625	6.750	-0.500	6.875	-0.375
6.500	0.125	6.375	-0.375	6.625	-0.250	6.750	-0.125
6.375	0.250	6.250	-0.125	6.500	0.000	6.625	0.125
6.250	0.375	6.125	0.000	6.375	0.125	6.500	0.375
6.125	0.500	6.000	0.250	6.250	0.375	6.375	0.625
6.000	0.750	5.875	0.500	6.125	0.625	6.250	0.875
5.875	0.875	5.750	0.750	6.000	0.875	6.125	1.125
5.750	1.000	5.625	1.000	5.875	1.125	6.000	1.500
5.625	1.250	5.500	1.250	5.750	1.375	5.875	1.750
5.500	1.375	5.375	1.375	5.625	1.625	5.750	2.125
5.375	1.625	5.250	1.750	5.500	2.000	5.625	2.500
5.250	1.875	5.125	2.000	5.375	2.375	5.500	3.000
5.125	2.000	5.000	2.375	5.250	2.750	5.375	3.625
5.000	2.250	4.875	2.625	5.125	3.250	5.250	4.125
4.875	2.500	4.750	3.000	5.000	3.750	5.125	4.750
4.750	2.750	4.625	3.375	4.875	4.250		
4.625	3.000	4.500	3.750	4.750	4.750		
4.500	3.250	4.375	4.125				
4.375	3.500	4.250	4.500				

AGENCY CONFORMING JUMBO 5/1 ARM				AGENCY CONFORMING JUMBO 7/1 ARM				AGENCY CONFORMING JUMBO 10/1 ARM			
Fully Amortizing		Interest Only		Fully Amortizing		Interest Only		Fully Amortizing		Interest Only	
45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125	45 DAY:	-0.125
30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375	30 DAY:	-0.375
15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500	15 DAY:	-0.500
CAPS: 5/2/5		CAPS: 5/2/5		CAPS: 5/2/5		CAPS: 5/2/5		CAPS: 5/2/5		CAPS: 5/2/5	
MARGIN: 2.250		MARGIN: 2.250		MARGIN: 2.250		MARGIN: 2.250		MARGIN: 2.250		MARGIN: 2.250	
6.625	0.125	6.750	0.125	6.875	0.250	7.000	0.125	7.125	0.250	7.125	0.375
6.500	0.375	6.625	0.250	6.750	0.500	6.875	0.375	7.000	0.375	7.000	0.500
6.375	0.500	6.500	0.500	6.625	0.750	6.750	0.625	6.875	0.625	6.875	0.750
6.250	0.750	6.375	0.625	6.500	1.000	6.625	0.875	6.750	0.875	6.750	1.000
6.125	0.875	6.250	0.875	6.375	1.250	6.500	1.125	6.625	1.125	6.625	1.375
6.000	1.125	6.125	1.125	6.250	1.375	6.375	1.375	6.500	1.375	6.500	1.625
5.875	1.375	6.000	1.375	6.125	1.625	6.250	1.500	6.375	1.625	6.375	1.875
5.750	1.625	5.875	1.625	6.000	1.875	6.125	1.875	6.250	2.000	6.250	2.250
5.625	1.875	5.750	1.875	5.875	2.250	6.000	2.125	6.125	2.250	6.125	2.500
5.500	2.125	5.625	2.125	5.750	2.500	5.875	2.375	6.000	2.500	6.000	2.875
5.375	2.375	5.500	2.375	5.625	2.875	5.750	2.750	5.875	2.875	5.875	3.375
5.250	2.500	5.375	2.625	5.500	3.125	5.625	3.125	5.750	3.250	5.750	3.750
5.125	2.875	5.250	2.875	5.375	3.500	5.500	3.375	5.625	3.750	5.625	4.375
5.000	3.125	5.125	3.250	5.250	4.000	5.375	4.000	5.500	4.250		
4.875	3.500	5.000	3.500	5.125	4.500	5.250	4.500	5.375	4.875		
4.750	3.875	4.875	3.875								
		4.750	4.250								

Banks "Retail" Div. Rate Sheet.
This clearly shows banks know how much their "in-direct" compensation is at time of origination.

Carolina Federal
SAVINGS BANK

Professional Service with a Personal Touch.

Online Banking Sign In:

Access ID:

First Time User
Forgot Password?

Billpay Demo Login

Home

Online Banking

Personal Banking

Business Banking

Mortgages

Investment Services

Banking Services

Rates & Fees

About Us

Contact Us

Disclosures/Privacy

REORDER Checks

This is a FEDERAL Savings Bank, not a broker

Mortgages - Lending Products

Buying, Building or Refinancing? We can help! We offer all the following products to best serve you.

With local underwriting and local processing available, we can make quick decisions and quick closings happen for you!

Construction Loans
Building your own home? We offer prime based, 12-month interest only loans based on percentage of completion of project.

Libor Interest only Loans
Customize the payment you want! This loan gives you the flexibility to pay more or less on principle based on what is best for you.

Conventional and Government Loans
We offer a full array of VA and FHA conventional products. 10 to 30 year fixed periods are available.

No Income Verification Loans *
If you don't want to verify income, assets or employment, give us a call. Great for self employed!

100% Financing Loans
No down payment required. Available as interest only, variable or fixed rates.

Less Than Perfect Credit?
Check out these loans, custom fit to meet your needs!

- Bankruptcy Buyouts
- Up to 100% Financing for Self Employed Borrowers
- Lease Purchase Same as Refinance
- 1ST Time Homebuyers 100% Financing
- 100% Financing even with a Chapter 7 under 2 years old
- No Seasoning of Funds
- Loan Amounts up to $650,000
- Interest Only available too!

Many other niche products to better serve you.

Get Pre-Approved Today!
It's Fast, It's Easy and Just A Phone Call Away. (843) 571-6900 or (843) 216-1301

National Association of Mortgage Brokers

The Banks and Lenders that "prey" together, stay together.

An open letter to the President of the United States.

February 11, 2009

President Barack Obama
The White House
1600 Pennsylvania Ave.
Washington, DC 20500

Dear Mr. President:

I represent tens of thousands of small business mortgage professionals who are being forced out of business by some of the nation's largest national banks, lenders and mortgage insurance companies.

As you are well aware, this country is experiencing the worst financial crisis since the Great Depression. While your Administration and Congress search to find a solution to our economic troubles, others are conducting a campaign of blame, with the goal of eliminating competition and controlling all aspects of mortgage financing.

From the very moment mainstream media first used the words "mortgage meltdown," mortgage brokers were labeled as the group that inflicted the predatory practices that gave rise to record foreclosures. As a result, mortgage brokers have been subjected to intense scrutiny and consequently over-regulation. Moreover, some of our former wholesale lenders and private mortgage insurance outlets have cut off our source of funds to operate, all under the guise of consumer protection. Make no mistake about it; this campaign to eliminate our profession has absolutely nothing to do with consumer protection. It's all about market share!

Let's examine the facts. Brokers have been blamed for putting consumers into predatory loan programs. False! Mortgage brokers never developed one single loan product or program. However, some lenders and banks did, aided by Fannie Mae, Freddie Mac and Wall Street. These same institutions set the guidelines for such programs, without any broker input. Most importantly, mortgage brokers did not underwrite or approve any of these loans. The responsibility for approving loans was that of the banks and lenders.

If we didn't develop the programs, set the guidelines or approve loans, how could this be our fault?

Another favorite target of the media is the "Yield Spread Premium" (YSP). This form of legal and legitimate industry compensation has been labeled a kickback and a bribe. YSP has been vilified when it should be praised for helping homeowners. For example, most consumers today seek financing without "points." YSP allows them to finance all or part of their origination costs. This practice has existed for years and is used by many State Housing Agencies, as well as by banks, lenders, credit unions and others who call it a "Service Release Premium" (SRP). It's the exact same type of compensation, other than having a different name. The only difference between a broker's YSP and a lender's SRP is that brokers fully disclose this compensation to consumers. Besides not having the same disclosure requirement as brokers, lenders have often denied receiving this payment.

The media has often depicted YSP as a fee brokers receive for increasing a consumer's interest rate. The truth is consumers are always given a choice with rates and points. They may elect to pay a discount point(s) and receive a lower rate, or pay no points and finance their origination costs by a slightly higher interest rate. Most consumers choose the latter.

In this climate of full disclosure and transparency, Congress should replace the terms YSP and SRP with "indirect compensation" and require all originators to disclose this compensation to consumers. Brokers have been disclosing every dime of compensation for the past 17 years. It's time for lenders and banks to do the same and level the playing field for consumers.

It has also been reported that brokers are unregulated. Once again, false! Brokers are regulated in every state. Furthermore, we supported passage of the S.A.F.E. Act as contained in the Housing Economic Recovery Act (H.R. 3221) in July 2008. This Act establishes uniform federal licensing standards for mortgage originators and a national registry of originators. The National Association of Mortgage Brokers first proposed these standards in 2001. Unlike brokers, loan officers that originate for banks and lenders are unregulated. It's time to regulate bank employees too.

The final push to eliminate competition and control the entire housing market is now underway. Lenders and banks are exiting wholesale lending; claiming brokered loans perform worse than their retail branches. **Again, who developed the programs, set the guidelines and APPROVED every loan?**

Mortgage insurance (MI) companies are now joining the banks and lenders. Some have completely cut off brokers, while others have set different guidelines for banks and brokers. The reason is simple: banks and lenders call the shots. For years, some banks and lenders have intimidated mortgage insurance companies to insure loans they knew would eventually have a high default rate. The MI companies had a choice: insure the loans or risk being cut off.

Until approximately ten years ago, brokers and other originators would submit loans for underwriting (approval), to both a wholesale lender and a mortgage insurance company. This long established practice gave every file with less than a 20% down payment a second set of eyes. Having two underwriters independently examine every submission for approval protected both consumers and industry. In my opinion, this practice was eliminated out of greed. Some banks and lenders saw an opportunity to increase their profits at the expense of quality control. Some banks and lenders made "deals" with mortgage insurance companies. The agreements called for the lenders to take control of underwriting. Once a lender approved a file, that file was also considered approved with an MI company. The second part of the deal consisted of a kickback. Since lenders and banks were in control of who ordered the private mortgage insurance, they could steer business and demand a percentage of the consumer's premium. These kickbacks averaged 25% of the premiums. They were also never disclosed to the consumer.

This type of lender control is also taking place with appraisals. Lenders have established their own Appraisal Management Companies (AMCs), which allow them to have complete authority over all aspects of the "independent" appraisal process.

It's important to note that not all banks and lenders have engaged in these practices. Many are honest and reputable institutions. However, the fact remains that many are preying on the consumer and small business.

Mr. President, if the actions outlined in this letter are permitted to continue, the costs of mortgage financing will increase as a result of less competition. State shortfalls will increase, as well. Furthermore, the country will see a continuation of sharp and prolonged unemployment and foreclosures, due to the elimination of our profession.

Every day, more and more small business brokers and their support staff are going out of business. We urgently require your guidance and support. I would appreciate meeting with you as soon as possible to discuss this ongoing tragedy and means by which improvements can be made.

Respectfully,

Marc S. Savitt

Marc S. Savitt, CRMS
President
National Association of Mortgage Brokers

THE WALL STREET JOURNAL.
WSJ.com

OPINION | OCTOBER 15, 2009, 9:55 P.M. ET

Barney Frank, Predatory Lender

Almost two-thirds of all bad mortgages in our financial system were bought by government agencies or required by government regulations.

By PETER J. WALLISON

Recent reports that the Federal Housing Administration (FHA) will suffer default rates of more than 20% on the 2007 and 2008 loans it guaranteed has raised questions once again about the government's role in the financial crisis and its efforts to achieve social purposes by distorting the financial system.

The FHA's function is to guarantee mortgages of low-income borrowers (the mortgages are then sold through securitizations by Ginnie Mae) and thus to take reasonable credit risks in the interests of making mortgage credit available to the nation's low-income citizens. Accordingly, the larger than normal losses that will result from the 2007 and 2008 cohort could be justified by Barney Frank, the chairman of the House Financial Services Committee, as "policy"—an effort to ease the housing downturn through the application of government credit. The FHA, he argued, is buying more weak mortgages in order to help put a floor under the housing market. Eventually, the taxpayers will have to judge whether this policy was justified.

Far more interesting than the FHA's prospective losses on its 2007 and 2008 book are the agency's losses on its 2005 and 2006 guarantees, when the housing bubble was inflating at its fastest rate and there was no need for government support. FHA-backed loans during those years also have delinquency rates between 20% and 30%. These adverse results—not the result of a "policy" effort to shore up markets—pose a significant challenge to those who are trying to absolve the U.S. government of responsibility for the financial crisis.

When the crisis first arose, the left's explanation was that it was caused by corporate greed, primarily on Wall Street, and by deregulation of the financial system during the Bush administration. The implicit charge was that the financial system was flawed and required broader regulation to keep it out of trouble. As it became clear that there was no financial deregulation during the Bush administration and that the financial crisis was caused by the meltdown of almost 25 million subprime and other nonprime mortgages—almost half of all U.S. mortgages—the narrative changed. The new villains were the unregulated mortgage brokers who allegedly earned enormous fees through a new form of "predatory" lending—by putting unsuspecting home buyers into subprime mortgages when they could have afforded prime mortgages. This idea underlies the Obama administration's proposal for a Consumer Financial Protection Agency. The link to the financial crisis—recently emphasized by President Obama—is that these mortgages would not have been made if regulators had been watching those fly-by-night mortgage brokers.

There was always a problem with this theory. Mortgage brokers had to be able to sell their mortgages to someone. They could only produce what those above them in the distribution chain wanted to buy. In other words, they could only respond to demand, not create it themselves. Who wanted these dicey loans? The data shows that the principal buyers were insured banks, government sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac, and the FHA—all government agencies or private companies forced to comply with government mandates about mortgage lending. When Fannie and Freddie were finally taken over by the government in 2008, more than

10 million subprime and other weak loans were either on their books or were in mortgage-backed securities they had guaranteed. An additional 4.5 million were guaranteed by the FHA and sold through Ginnie Mae before 2008, and a further 2.5 million loans were made under the rubric of the Community Reinvestment Act (CRA), which required insured banks to provide mortgage credit to home buyers who were at or below 80% of median income. Thus, almost two-thirds of all the bad mortgages in our financial system, many of which are now defaulting at unprecedented rates, were bought by government agencies or required by government regulations.

The role of the FHA is particularly difficult to fit into the narrative that the left has been selling. While it might be argued that Fannie and Freddie and insured banks were profit-seekers because they were shareholder-owned, what can explain the fact that the FHA—a government agency—was guaranteeing the same bad mortgages that the unregulated mortgage brokers were supposedly creating through predatory lending?

The answer, of course, is that it was government policy for these poor quality loans to be made. Since the early 1990s, the government has been attempting to expand home ownership in full disregard of the prudent lending principles that had previously governed the U.S. mortgage market. Now the motives of the GSEs fall into place. Fannie and Freddie were subject to "affordable housing" regulations, issued by the Department of Housing and Urban Development (HUD), which required them to buy mortgages made to home buyers who were at or below the median income. This quota began at 30% of all purchases in the early 1990s, and was gradually ratcheted up until it called for 55% of all mortgage purchases to be "affordable" in 2007, including 25% that had to be made to low-income home buyers.

It was not easy to find candidates for traditional mortgages—loans to people with good credit records or the resources for a substantial downpayment—among home buyers who qualified under HUD's guidelines. To meet their affordable housing requirements, therefore, Fannie and Freddie reduced their lending standards and reached into the FHA's turf. The FHA, although it lost market share, continued to guarantee what it could, adding to the demand that the unregulated mortgage brokers filled. If they were engaged in predatory lending, it was ultimately driven by the government's own requirements. The mortgages that resulted are now problem loans for the GSEs, the FHA and the big banks that were required to make them in order to burnish their CRA credentials.

The significance of the FHA's troubles is that this agency had no profit motive. Yet it dipped into the same pool of subprime and other nontraditional mortgages that the GSEs and Wall Street were fishing in. The left cannot have it both ways, blaming the private sector for subprime lending while absolving the government policies that created the demand for subprime loans. If the financial crisis was caused by subprime mortgages and predatory lending, the government's own policies made it happen.

Mr. Walllison is a senior fellow at the American Enterprise Institute.