From: PrimeLending , Ed Slayton

Subject: Sound Incentive Compensation Policies

Comments:

20 November 2009

Board of Governors of the Federal Reserve

RE: Docket No. OP-1374

Dear Board of Governors,

I am writing this letter in reference to the proposed compensation changes being considered for banking and mortgage industry professionals. I urge you to strongly consider the ramifications and unintended consequences those changes will have, on the professionals and, more importantly on the consumer. By disallowing incentive compensation for a loan originator, you remove the motivation for that loan officer to perform his or her duties for the client in a timely, streamlined, and professional manner. My biggest concern is that we will end up with "order takers" completing loan applications with consumers, not unlike a toll-free number scenario where the client is given no real education about the loan options available to them, no insight as to why they should choose one loan option over another, and ultimately poorly situating them over the long run by potentially costing them more money via interest and/or fees.

I have already seen this happen with some large easily recognizable name brand banking companies, who you undoubtedly are very familiar with, in the industry. The salary option has caused many well qualified originators to leave the large banking institutions due to salary limitations. Some have come to the branch I work at due to dissatisfaction with salary constraints at their old firms. I have had clients call me, after speaking to one of their salaried originators, stating that every time they called they received a different answer to a simple question. In many cases this could and would have cost the client dearly.

I agree that there were an unacceptable number of originators out there placing borrowers in subprime loans when much better options were available but never offered. Fortunately, six years ago I chose a book of business that comprised a large percentage of Government and Conventional Loans. At the height of the sub-prime mortgage debacle a very small percentage of my business was subprime and only then because the loan didn't fit within an FHA, VA, or Conforming Conventional set of

underwriting guidelines. Borrowers that ended up with a subprime loan, in many cases, were there simply because the mortgage lender or broker just did not have any other loan options available to the consumer. For example: placed into a subprime loan because they couldn't offer the FHA loan since their company was not HUD approved. I have always believed, even in at the pinnacle of the subprime industry popularity, that the borrower should have been told by the originator, "There are other loan programs out there that my company simply does not offer that might suit you better". This would have given the consumer the opportunity to research other possibilities.

Loan officers take the application, compile the data, analyze the clients' options and make recommendations. We work closely with the processor (who is a mini-underwriter) who then works closely with the underwriter who is ultimately signing off on that loan approval. As loan officers, we have no lending authority and I strongly believe for the industry's sake this is a good thing. As we do not have that lending authority, why are we to be held responsible for the mortgagee's lack of on time payment? My company takes a simple approach to this issue: if there is an Early Payment Default (EPD) within a specified time (generally speaking-6 months), the commission earned on that loan is deducted from the loan officer's next check. It certainly does motivate us to insure the consumer understands the due date of their monthly payment and the possible damage to their credit report if the payment is late. A payment is considered late for credit reporting purposes at 30 days, yet the mortgage promissory note states that at 15 days, a late fee is assessed. The majority of consumers think that their payment is only considered late if not paid by 30 November 2009 when due on 01 November 2009 because of the way other types of consumer credit (not mortgage credit) are understood and explained by all parties involved. In reality, an (EPD) is at 15 days past due, or when the late charge is triggered.

I believe very strongly that the major concern with the mortgage lending business today is the lack of professional individuals within the industry. There have been no real barriers to entry for the industry and no stringent education requirements. I have and do take continuing education to keep my knowledge fresh and to show my client base that I am a professional who takes my job and their home purchase very seriously. I have always priced my loans fairly, commensurate with the amount of work I had to put into the loan, earning less on loans that took less

time and effort and more on those that were much more time and labor intensive. I have clients who have referred their friends and family and come back to me more than once for their latest home loan. I would not have had this following by making "a killing" on my loans. I would strongly urge the Federal Reserve Board to consider requirements such as education, certification, continuing education and much stronger licensing before compensation limitations are placed on mortgage loan originators.

If this Board takes such action as commission limitations, we will see very good mortgage professionals exit the industry and enter into another field which allows commissions to be paid commensurate with hard work and dedication to job performance. The demise of the subprime industry and the weeding-out process has eliminated many unscrupulous loan officers. The majority of existing loan officers, still in the mortgage business, has high integrity, and are dedicated, hard working people that serve their clients well. If compensation is limited to a salary only, we will see the un-educated, un-motivated order takers hold in their hands the transaction that constitutes the consumer's single largest and longest debt of their lives. As a home loan consumer this proposition truly concerns me.

Very Respectfully

Ed Slayton