From: "Ritch Workman" <ritch@workmanmortgage.com> on 03/26/2008 03:35:03 PM

Subject: Regulation Z

To whom it may Concern,

I am a licensed mortgage broker from the great state of Florida. Florida has some 55,000 licensed mortgage brokers. As a mortgage broker we are licensed under Florida statue 494. Under this statue all mortgage brokers must complete pre and post licensing and under go a background check. A mortgage broker MUST disclose all fees within three days of application (including YSP and Broker fees).

I would like to first express support for the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but I respectfully oppose the proposal to restrict compensation for mortgage brokers

Under federal law all mortgage broker compensation, including yield spread premiums, are already disclosed on both the GFE and HUD-1, even though there is no corresponding requirement for lenders to disclose compensation paid to their own sales staff. In Florida, we also disclose this at application and again at lock.

When a consumer applies for a mortgage with a bank, they are applying for the small portfolio of loans offered by that bank, as most do not broker loans; although some do. The bank will steer that consumer into a loan they offer, even if there are better products available. When that same consumer applies with a mortgage broker they receive access to many, if not all the mortgage products available. This increases consumer choice and decreases cost.

It has been said that mortgage brokers do not represent the consumer. I agree that we don't. We serve as a transaction broker between the end lender and the consumer. I would ague that banks also do not represent the consumer, but instead represent the best interests of the bank. Mortgage Brokers encourage shopping. Our cost of origination is so much less than banks that our rates and costs are almost always far less to the consumer than that of our competing banks.

Brokers do not use our "own" money to fund loans. We typically choose a lender, that lender will then underwrite, approve and fund that loan. At the closing table the lender and the borrower enter into the mortgage contract and the lender owns that mortgage. In recent years the differences between brokers, lenders and bankers have become very few. Very few banks maintain their own serving departments and those that do hold very little if any of the loans on their books; choosing to securitize with the GSE's or independently. Most mortgages in this Country do not stay with the originating lender.

My biggest concern is the separate but equal feeling I get when I read these proposed changes. On one hand the broker, lender and banker are all equal originators falling under all the same federal guidelines and responsibilities. However, on the other hand, mortgage brokers are subject to increased disclosure. With the differences being so minor why such a drastic difference in disclosure requirements? If the consumer shops for the best rate and terms between a banker, broker and a lender, and based on this shopping chooses the broker; that consumer is now confronted with additional disclosures that infer a drastic difference between the origination entities.

For the clarity and best interest of the consumer I simply must insist that any disclosures apply equally to ALL mortgage originators, not just brokers

YSP has become a focus point of disclosure over the last few years. YSP is a benefit to consumers. YSP is to brokers what service release premiums (SPR) are to bankers. Both of these fees become known at the time of lock. Brokers agree to a certain amount of YSP when they lock a loan at a lender and a Banker agrees to a certain SRP when a loan is locked. The only difference between the two is that bankers only receive the SRP if they release the servicing to another party. For the last 5 or more years nearly all banks release their servicing within the first year, therefore earning their SRP.

A good example of broker YSP verses banker SRP is on the TV everyday. Bank of America (BOA) has recently released their "NO FEE MORTGAGE PLUS". If you call BOA they will offer you two loan products; their standard "lower rate" product that has all the fees associated with a mortgage and their NO FEE option which comes with a higher rate. This new product for BOA is exactly what Brokers have been doing for years; they are simply using their SRP to pay the closing costs associated with the mortgage. Brokers have been using their YSP to lower the cash to close for consumers' since the inception of YSP. This BOA example also highlights the similarity between bankers and brokers.

It is also a very over looked point that in addition to SRP many banks are using their wholesale lines to fund loans that are actually brokered and these banks are earning and obtaining an YSP, not a SRP. But because of Federal exemption these bankers are not required to disclose.

By making my small business disclose fees that the banks do not leaves me at a competitive disadvantage. If I were a banker competitor of mine I would simply point to this odd fee that the broker is "charging" and that I am not. Sure my rate is higher and the cash to close is more, but look at that big fee the broker is charging. If you have any sense of competition I implore you to rethink this additional burden on America's small businesses.

I, as a Mortgage Broker, do not want to be treated special; I simply want to be treated equally. Instead of allowing the banks to legislate themselves an advantage I encourage you to create a level playing field where they can compete for the business. The end winner in the consumer!

I want to thank the Board of Governors of the Federal Reserve for considering my comments. I am available anytime for questions; please do not hesitate to contact me.

Respectfully,

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