From: "Gary Franks" <gary@ventanamortgage.com> on 04/03/2008 02:15:03 PM

Subject: Regulation Z

Board Member:

I work in the mortgage industry as a Mortgage Broker. I am writing in support of consumer protection goals established by Federal Reserve Boards proposed amendments to Regulation Z, but I respectfully oppose the proposal to restrict compensation for mortgage brokers.

To begin, I would like to give you the truth regarding the differences between Loan Originators that work for a mortgage broker versus a mortgage banker:

MORTGAGE BROKERS AND MORTGAGE BANKERS ARE ALIKE.
In Arizona we have experienced just about every extreme situation this market has brought forth in the last several years. The Arizona market is a prime example of the blending of Loan officers that work for Mortgage Brokers (broker) and Mortgage Bankers (banker). Whether a loan officer works for a broker or a banker, there is no difference in their duties, marketing, or compensation package. All loan officers receive yield spread premiums as part of their compensation. The brokers use the yield spread premium to help offset costs to the consumer. This can be done, by paying fees from title and escrow on behalf of the consumer, to not charging origination or discount points because they will receive money through the yield spread premium.

Our marketplace like every other area of the country has created a hybrid originator. There is no clear distinction between a banker and a broker. There are brokers that have warehouse lines and fund their own loans just like a banker. Many bankers also broker loans to other lenders because they often cant compete if they are only allowed to offer their own products. The traditional banker and its loan originating force do not exist any longer. Years ago, they would underwrite, fund and service their own loans for the duration of the term. Payments were made to that company and the relationship was long-term. Currently, I don't know of any banker that services its own loans for the duration of the note. They sell off the paper just like brokers and they originate loans and broker
them to other bankers just like brokers. The only difference is they do not have to disclose their yield spread premium income.

Mortgage Brokers serve a purpose in the community. Consumers are very busy and need extra attention and service. The broker provides a vehicle for the consumer to shop, seek advice, and get extra service that bankers generally don't provide. The brokers also work with numerous bankers to be able to offer a wide variety of programs to fit the borrowers needs rather than trying to squeeze them into the only products offered by a particular banker. The typical broker meets with the borrowers on their terms, schedules, locations, etc. The typical banker usually meets with the consumer at the bankers office, and only during business hours. They also try to sell them other products such as insurance, investment accounts, charge cards, etc. The broker provides a service to the consumer
that the bankers are often not able to fill, and the broker also provides a service to the bankers by increasing their loan portfolios with customers they bring to the banker. Hence they are technically serving both parties but not necessarily representing either of them.

Most large markets are the same as the one I serve in Arizona. The duties of a loan officer are universal regardless of whether they are employed by a mortgage broker (broker) or mortgage banker (banker). They are compensated the same, and generally read from the same rate sheets. The key distinction is the loan officer working for a Broker must disclose the potential yield spread premium income and the loan officer working for the banker does not. The consumer is unable to distinguish between the two so why is the Federal Reserve creating an unfair playing field? If it is a great idea to disclose to the consumer all aspects of the transaction including compensation, then why is it only required for mortgage brokers? If this concept is o

Sincerely,

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