From: "Jay Smith" <Jay.Smith@frmloans.com> on 03/26/2008 03:15:03 PM

Subject: Regulation Z

First of all, I fully support 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.

Mortgage brokers provide an intermediary between borrowers and lenders, and the broker adds real value in the real estate transaction by serving BOTH parties, but representing NEITHER.

Mortgage brokers must compete with direct lenders, and the distinction between brokers and lenders have been blurred in recent years as lenders themselves typically package and resell loans they originate.

Consumers are largely unable to distinguish between brokers and lenders, which have similar names, use similar signage, and rely on similar advertising. So it only makes since that any disclosures apply equally to ALL mortgage originators, not just brokers. Yield spread premiums are much more than just compensation, they are used to pay certain costs and facilitate the loan transaction. In the real world requiring brokers, but not other loan originators, to make compensation disclosures enable the brokers' competitors to steer consumers away from brokers, even if brokers offer more favorable loans. How is this helping consumers? It clearly isn't. It is more clearly creating a situation where there is less competition which can only hurt consumers. It would create a monopoly of sorts which never benefits the consumer.

It is impossible to give a reasonably precise dollar estimate of fees a broker will charge in a transaction even before an application is submitted because the broker does not yet know the prospective borrower's financial status, transaction details, type of product sought, or amount of loan, all of which may vary as the transaction progresses. This portion of the bill makes no sense whatsoever.

I'd like to Suggest that the Fed consider alternatives to the proposed regulation which would protect consumers (rather than target mortgage brokers) in their dealings with all mortgage originators, and encourage competition on price and service. As a mortgage broker, I welcome the competition on an even playing field and I am all for anything that has the best interest of the consumer in mind. Although it is clear to me that either this isn't the true intention of this bill or we're doing a poor job of accomplishing this goal.

I'd like to thank the Board of Governors of the Federal Reserve for considering my comments.

Sincerely,

Jay Smith
First Rate Mortgage
10400 Linn Station Dr
Louisville KY 40223

Ph. 866-929-4900
Ph. 502-400-6115
Fax 502-400-1949
jay.smith@frmloans.com