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**Subject:** Regulation Z

I am a Mortgage Broker in the State of Florida. Currently there are more than 50,000 active mortgage brokers in the state. Florida has one of the most highly regulated and most aggressive licensing laws that there is in the country.

I want to express my support for the efforts of the Board to strengthen Reg Z, however, I want to take issue with the part that restricts and regulates compensation that brokers receive. Let me state that it is inherently unfair that brokers should have to disclose something that lenders do not. Having run lending at a large savings bank, I am fully aware of how banks price their loans and where they make their profit from loans. It is exactly the same as how brokers make their money. It comes from the sale of the loans. Most all banks sell all of their mortgage loans. They either securitize them themselves or they sell to other banks. There are two pieces of value to a loan. The loan/debt itself and the servicing rights to the loan. Brokers receive what is called a YSP and banks receive what is called a SRP. A bank obtains rates each day from another securitizing lender or wall street securitizer and passes the rates to its customers just like a broker obtains its rates each day from all of its bank partners and shops each bank when it has a loan application. Even though the YSP and SRP are a little different in theory, the practicality of them are the same. A bank gives out a list of rates to its Loan officer/Originators every day and each combination of rate and points makes the bank a certain amount of compensation. In theory, the higher the rate the more the bank makes. This is the exact same for a broker. Each of us has a rate that is the par rate whereby the borrower doesn't have to pay any points or up front fee. This helps to reduce the amount the borrower has to have to close. In Florida, we already have to disclose on the Good Faith and the Origination Contract the amount of YSP and/or Broker Fee that we will collect. The amount we make really is no business of the borrower. What the borrower wants to know is what their rate is and is it fair and competitive. For them to shop, all they need is the rate and points and other fees. Whether we make \$1,000 or \$5,000 has nothing to do with their being able to shop. They don't have any idea how much we should make or whether the amount is reasonable so why disclose it? We may have a better base rate than a bank and therefore we can offer a better rate even if we both made the same thing.

Let me now say that with my 37 years in the business, and having been on both sides of lending, I can unequivocally say that brokers, in general, have a better grasp of the mortgage lending business than do bank originators. That is because we have to do everything on a loan from taking the application to choosing the lender to processing and closing. Bank originators are nothing more than marketing people, not loan people, who go out and solicit realtors to send their customers to them for the loan and have very little knowledge of the lending business. And let me say also that originators quite often are paid overages on loans which means that if they price the loan up and the bank makes more than their set goal, the originator will be paid a bonus. I would submit that this inherently causes originators to quote higher rates which is no different than a broker that is trying to make a little extra on a loan. Is that wrong????? Does every person who buys the exact same vehicle pay the exact same price? No!! It depends on how they negotiate with the salesperson. Does that mean that the person that paid the higher price was taken advantage of and the dealer should go to jail and reimburse the difference between what the other person paid???? No!! That is just the way free enterprise works. Our business is no different. The government's job is not to baby sit every American. People have to take care of themselves on everyday things. Yes, you can help educate them but you can't and shouldn't have to hold their hand. If they are not responsible enough to handle the situation on their own, then they need to become responsible or maybe they shouldn't be thinking about purchasing a home, which by the way, requires quite a bit of responsibility and maturity. That goes for everything in their lives, from paying more for milk at one store than at another store. Mortgages are no different. Mortgages may be a little more complicated and they need to be careful to deal with a reputable broker or banker, but besides that, the government can't do anything for them, and shouldn't except to give oversight and have regulations in

place to try and protect the consumer from unscrupulous behavior. I do however believe very strongly that any person who originates loans, brokers or bank originators, should have a good clean record. I hear all kinds of horror stories from customers about how they were misled by a bank originator. I usually tell them that that might only be due to the originator not knowing the business rather than trying to be crooked. Who really knows?

Let me now say that brokers, who mostly are self-employed and are very concerned about every loan, are generally more concerned about each borrower because their livelihood depends on repeat and referrals from previous customers and their friends and relatives. They typically assist much more with the transaction as to gathering documentation for the realtor and title company and even assist the borrower with whatever they might need. They do this because they are involved with every aspect of the transaction and it is their own company they are representing where banks are very departmentalized and the originator can't get involved with all aspects of the loan.

In the proposed rule, it says a broker would have to give the YSP and or broker fee up front before an application was taken. That is practically impossible. There is no way that the YSP can be determined until all of the details are obtained on the loan and credit is pulled to see what the customers scores are because every little detail now days affects the rate and the rate determines what the YSP might be. And, there is no way to ballpark it because there are too many variables.

In closing, let me say again that I herald your efforts to try to protect the consumer but let's not get carried away with the idea that all brokers are crooks and that banks are not. Any effort to strengthen Reg Z should apply to all mortgage outlets the same. Anything to hurt the individual brokers ability to compete would be totally unfair and let me reiterate that there is no justifiable reason that a broker should disclose what they might make on a loan when a bank doesn't. The commodity we are selling is the same for both. To make it different would be like saying that Ford dealers have to disclose how much they make off of selling a car when the Chevy dealers don't. Does that make any sense??????????

Thanks for allowing me to offer my comments on this issue and I would welcome a response and request for further clarification of anything I have said above. And please keep in mind that you are playing around with the lives of hundreds of thousands of brokers lives around the country. This is not a time to stiffen regulations when the problems that we are experiencing came from somewhere besides Brokers. We were only offering programs that someone else designed and also remember, we didn't approve loans, banks did. Please don't be unfair and unreasonable.

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