From: "Thomas Mihalik" <tom_bimi@comcast.net> on 03/27/2008 10:00:13 AM

Subject: Regulation Z

March 28,2008

Dear Board of Governors of the Federal Reserve:

My name is Thomas Mihalik and I have been a Licensed Mortgage Broker in Florida since 1993 (15-years). I have never been so discouraged with my field of employment as I have been this past year. It is not so much that the industry is changing, for it was truly time for change, but the fact that the proposed, as well as the new, rules of conducting a legitimate Mortgage Brokerage Business have become not only time and cost prohibitive but seem to have been made by people that do not have a grasp of the day to day "real world" workings of these rules. They sound great and positive on paper but in the "real world" of day to day business operations are for the most part cumbersome if not ludicrous.

The proposed Fed Rule **"Docket No. R-1305"** would put in place some useful consumer protections I think we would all agree, but it also would impose significant burdens on mortgage brokers as well as the general public. In particular, the proposed Fed rule would require brokers, but not other mortgage originators, to disclose the specific dollar amount which the broker would earn from a transaction, including yield spread premiums. Which is fine. We have been doing this on the Good Faith Estimate and HUD-1 Settlement Statement for years. However, that disclosure would have to be made ***before*** the consumer paid any fee to any person, and ***before*** submitting an application. Brokers would only be able to receive compensation disclosed in that manner. If there is no such disclosure, the mortgage brokers cannot be paid by any amount by any party, lender or borrower. How is that even practicle in the real world. It is impossible to give a precise dollar estimate of fees a broker will charge in a transaction 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. That's like asking an auto mechanic to diagnose your cars problem over the phone and give you a quote. If he runs into other problems you forgot to tell him or issues you didn't even know you had the auto mechanic has to fix it at any cost whether he makes a profit for his business or not. He may even have to come out of pocket with money to finalize the problem because the "new laws" do not allow him to change his fees. Again, sounds good on paper but in the "real world" very impracticle and only serves to restrict business flow rather than help it. Who suffers?.....Everyone involved in the process.

HUD already requires disclosure of yield spread premiums in both the GFE and HUD-1. However, the Fed believes additional disclosure is needed from brokers, but not other originators, to protect consumers because, the Fed claims, consumers believe that brokers are a “trusted advisor” who are bound to get the ***BEST*** possible deal for borrowers, but do not view other originators in the same way. Again it sounds good on paper! The "real world" reality is

EVERY BUSINESS NEEDS TO MAKE MONEY TO STAY OPEN. It should be in the interest of every business to give the customer the ***BEST*** possible deal. By treating the customer right usually insures a businesses success for repeat customers and helps solidify an honest reputation for that business in the community. Every business owner should try to give the customer the fairest price for services while still making enough income to cover all business expenses and a profit. So the illusion of the ***BEST*** possible deal does not exist. There is ***NEVER*** a ***BEST*** deal. There is only the ***BEST*** deal out of the options the customer has looked at. If the customer does not like what they see they are free to search out other options until they find a price that is acceptable to them for the product or service they desire. I believe this is called **CAPITALISM**. A concept the United States of America was founded on.

**Capitalism** refers to an economic and social system in which the means of production are predominantly privately owned,[1][2] are operated for profit,[3] and in which investments, distribution, income, production and pricing of goods and services are determined through the operation of a market economy. It is usually considered to involve the right of individuals and corporations to trade, using money, in goods, services (including finance), labor and land.

I support the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but respectfully oppose the proposal to restrict compensation for mortgage brokers. I suggest that the Fed consider alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators, and encourage competition on price and service. Mortgage Broker compensation, including yield spread premiums, already are 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 which should be an industry standard across the board. Mortgage Brokers provide extreme value by acting as an intermediary between borrowers and lenders, as would the sales staff of a lender. Therefore the customer should not need to distinguish among mortgage originators, both government policies and the marketplace should be set up to permit consumers to get the ***BEST*** deal at the ***BEST*** price, regardless of whether they use a broker or deal directly with a lender. If the new rules are adopted then ALL disclosures should apply equally to ALL mortgage originators, not just brokers. 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. Requiring brokers, but not other loan originators, to make compensation disclosures will inhibit competition, which will limit consumer choice, increase prices, and hurt borrowers.

In summary, I believe the current path that the Board of Governors of the Federal Reserve is considering needs to be haulted immediately. It needs to be rethought out through the use of incorporating ideas and methods of the people in the day to day operations of the business. Change is definately needed. But the change must be exhaustively thought out before being implemented and needs to be fair to all involved to preserve our businesses. If it is not I am afraid after 15-years of respectful business dealings I will need to pursue another avenue of employment. A choice that should not be made **FOR ME** but **BY ME.** These new proposals will drive legitimate mortgage brokerage businesses and people such as myself out of the marketplace and will only hurt the consumer in the long run.

I would like to thank the Board of Governors of the Federal Reserve for considering the above comments.

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