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March 26, 2008

To: Federal Reserve
Re: Docket No. R-1305

Dear Sir or Madam:

My name is Susan Bissonnette-Hilse and I have been a mortgage loan originator for over 22 years. I began my career as an originator working for large mortgage "lenders". It was certainly an eye opener to observe through out the years the miss-conduct that runs rampant throughout my industry. Prior to my career as an originator I was responsible for staffing each unit of a 300-bed hospital with the appropriate nursing staff based on patient count.

I will quickly state a few topics I feel have been grossly absent during the Federal Reserves attempt to "clean" this business up. These are but not limited to: Real Estate Broker steering. I have had actual conversation with the owners of several Real Estate firms that have directly told me if I were not willing to avoid complications during the processing of a loan, such as poor appraisal, bad title, lack of income, etc., not to bother soliciting business from there brokerage firm as many loan officers were willing to do so. For this reason I have never been very popular with the real estate brokers, as I would never have lowered myself to this behavior, and very often had my borrowers steered to a more pro-active lender. Many of these lenders are directly linked to the real estate brokerage's web sites and often have a desk inside the real estate brokerage firm. Until the steering power of the realtor is removed, much of this will continue. The real estate broker is rarely even considered as a factor when there is fraud involved in a purchase transaction though this is where the fraud begins. If the realtors did not control the lenders and appraisers then the purchase price of homes would not have increased so quickly since income gains were not in place to make this happen. The realtor sets a high price on a home in order to obtain the listing from the seller, then makes sure their lender uses the appraiser of their choice so that the new, increased value is not challenged. Steering has been responsible for borrowers home improvement problems such as dry wells, bad water quality and deteriorating properties. When FHA tighten up on appraisals several years back real estate brokers simply told buyers not to use the program and did not allow sellers to accept contracts from buyers pre-qualified using an FHA mortgage. They continue this practice today and I find myself fighting for my VA borrower since brokers are under the impression VA is tougher on the property and underwriting recommending that their sellers not accept contracts from VA buyers. I have written many a letter to these realtors and even include in my VA advertising a reference that the VA program will not interfere negatively on these transactions. The increase in price and steering of lenders has in many ways resulted in the mortgage *industries attempt to make the processing of mortgages as quick and painless as possible. The Real Estate Brokers are very well represented by lobbyist in congress so this will be a challenge to the Federal Reserve, however, if it is not corrected the mortgage crisis will continue in the future.*

Back to my career as a mortgage originator and what I have witnessed with regards to "yield-spread-premium". First, yield-spread-premium is essential to buyers in order to keep their costs down. Many buyers would be unable to purchase a home if the broker's fee had to be paid along with the closing costs. The Real Estate Brokers have always been paid from the sale price so in essence the ysp is no different. It does not stop the sellers or buyers from using realtors and they understand the real estate broker needs to earn an income. I have never had a problem disclosing yield-spread-premium and actually did so prior to being required to do so. When I started my own mortgage brokerage firm my first expectation from my loan officers at that time was that they "must," disclose yield-spread-premium. This was the first "brokerage" firm I have worked with even though it is my own, as all of my previous employers were actual "lenders". But with these "lenders" I witnessed the fraud involved when the ability to hide "yield-spread-premium" is allowed. I am not advocating that brokers not disclose ysp I am advocating that lenders must also disclose. 15- years of my career have been with "lenders" and for 15-years all of the lenders I worked with encouraged ysp fraud, all of them! I have never once applied these behaviors to any of my borrowers sometimes to the disliking of co-workers and sales managers. I was young when I started in this business but I could identify the difference between right and wrong the first-time I was presented to the fraudulent methods. Descriptions of these behaviors are:

Bait and switch: *Loan officers would quote rates based on 0 yield-spread-premium which would obviously be a lower rate, the quote would also have 0 points making the estimate void of lender income. When the mortgage closed the rate would increase giving the lender the maximum yield-spread-premium. Since the ysp did not show up on the HUD, the lender simply blamed the market for the higher rate.*

Quote and float: *This was and is a practice still used and I am aware of "lenders" that currently do this, they are not brokers, they are lenders! If a borrower wants to lock a rate the loan officer will lock the rate requested with the ysp associated with that rate. Let's say the rate is 6.00% and the ysp associated is 2 to the lender. The loan officer will tell the borrower the rate is locked but they do not actually lock the loan with their company. The goal is to watch the market and if the ysp gets better at the 6.00%, in other words is higher such as it goes to 3 the loan officer and company earn more. Since lenders earn a percentage of what the loan officer charges, the incentive for managers to allow this is there. However, I have witnessed loan officers and their processors sabotage loans if the ysp actually decreased. There was one occasion in particular I witnessed two of my co-workers find themselves in quite a mess when they had dozens of loans each where borrowers assumed they were locked yet these two had not locked with the company. The market changed so quickly that rather than earning more on each loan they actually would have had to pay to close the mortgages at the locked rate. Instead, they sabotaged each loan by destroying original documentation requested from their borrowers such as W2 forms etc. This enabled them to blame the borrowers for* *extending the loan processing past the rate lock- in period. My processor and I complained to the owner, my processor was fired and I was told to mind my own business. Obviously, I quit shortly after but have heard loan officers discussing the practice during my employment with other lenders and at other functions where lenders were present. These two individuals went on to open their own company, which is a very large "lender" in the area.*

Therefore, I support the Federal Reserves proposed amendments to Regulation Z, but respectfully oppose the proposal to restrict compensation for mortgage brokers using yield-spread-premium but allowing lenders to do and. I must also insist that any disclosures or compensation apply equally to ALL mortgage originators, not just brokers.

My company is small because this enables me to offer all of my borrowers lower rates and closing costs since I do not have high overhead. There are no banks and lenders that can honestly compete with the small brokerage lenders leading to more lender fraud than possibly broker fraud. I know of several small "mom and pop" brokerage companies that work as honestly as I run my company. It is ignorant to categorize all brokers as corrupt since the corruption runs through lenders, banks and credit unions at the same rate or better.

In essence, the Federal Reserve will contribute to higher rates and fees for borrowers since Banks, Credit Unions and Lenders are freely steering borrowers away from brokers even if the broker can offer more favorable terms.

The Federal Reserve must open it's eyes and understand that the loss of small competitive brokers will hurt local economies and limit competition for large lenders, this in turn will lead to higher fees and rates to consumers.

I have dedicated the past 22 years to offering excellent service, low rates and costs, and true honest lending only to have been lumped into a category out of pure ignorance. Since becoming a mortgage broker I have been able to keep my reputation excellent. I found this difficult when I worked with other lenders since my co-workers typically destroyed the company reputation given enough time. Many of the large lenders allow their ego to run the company meaning they like to own or manage "large companies". This makes it difficult to control given that loan officers and their processors will run poor loans through these companies, as they are not risking "their license". A small company would jeopardize their existence by doing bad loans, especially if the business of simply changing company names is eliminated. The new individual lending licenses will help correct this problem. Increasing the size of my company will only lead to increased fees and costs to my borrowers and require I hire loan officers in order to earn more income required to sustain a larger company. Since I do not have to pay a loan officer currently as my co-owner (husband) and I originate all of our loans, this would be an additional fee that would double the cost to the borrower.

Again, disclosure of ysp is absolutely a requirement, but it must be a requirement for all lenders and originators alike.

In addition to the Federal Reserves limited observation based on lender vs. brokers I think this limitation has also extended to sub-prime vs. conforming. I as many "lenders' have originated sub-prime loans. Many of which today, cannot be refinanced into more favorable terms since the original terms were more favorable than the conforming programs at the time. There were many of my sub-prime investors that offered very low fixed rate, in addition to no PMI insurance for loan over 80%, this created a better program than what the conforming market could offer. Although some sub-prime programs did perform poorly, not all have. Also, many of the adjustable programs about to re-set are actually conforming programs since FHMA and FHMA also offered adjustable programs. Has consideration been given to increased property prices, taxes, utilities and heating oil in the foreclosure analysis? Many of these sub-prime programs were fixed, low rates and underwritten using all of the same income calculations the conforming market used. Unfortunately, prices were so out of hand that any small increases such as property taxes and heating oil were enough to push a borrower into foreclosure. I think, as with politics, the Federal Reserve has allowed the media to sway their opinion to focus on "brokers" alone leaving lenders, banks and credit unions jumping for joy as their toughest competitors are being destroyed unfairly so.

I have heard countless reports about the terrors of "pre-payment penalty"; however, no one has tried to understand the reasoning behind it. With borrowers refinancing every few months, the pre-payment penalty was put in place to eliminate churning of loans and allowed the investors to offer better rates since the cost of churned loans required them to charge higher rates and fees. Many of these investors only charged the pre-payment penalty if the loan was refinanced but waived it if the property was sold, again, simply attempting to offer a better alternative to rate, yet earn money as well. Yet, Maine State Housing Authority thought to be the greatest program for first-time homebuyers has what is called a "recapture". When the borrower sells or refinances there is a fee that is charged if this is done within a 10-year period. This is a pre-payment penalty only under a different name. Yet this recapture has never received negative reviews. Again, this points to a Board that does not know what it is changing except what they assume is bad rather than what is truly bad. If they did, they would eliminate adjustable programs, yet they are still offered by all lenders. This Board of Governors of the Federal Reserve System is not ready to amend Regulation Z until is has adequately researched who has actually damaged this industry and what programs have done so. To date they have not even covered the surface. The Board has made no mention of Equifax, TransUnion or Experian trigger leads. These are leads given to "lenders" or brokers including bankers in exchange for money. When a borrower comes into my office based on either the advertising I pay for or the reputation I have earned, as soon as I pull their credit report, the credit bureaus sell their names to any lenders that pay for this information. These trigger lead companies, mostly lenders, are responsibly for most of the bait and switch in this country. I had borrowers pulled from closing offered rates I've never heard of only to later call me and tell me it was all a lie, but they closed anyway because they wanted the home. How much investigation has gone into researching the "trigger leads" responsibility in this crisis? You would probably find that many "trigger lenders" were *successful in enticing borrowers to leave their current "broker" for a better rate only to find a higher one waiting for them at closing from their new "lender". As you can see, this Board is not adequately informed and should not move forward with laws based on biased information.*

Again, I own Maine Mortgage Partners, LLC along with my husband Matt. Both Matt and I originate and manage the business. Matt's mother is our full time processor and has been in the mortgage industry for more than 25-years. She was once vice president of the mortgage department for T.D. BankNorth, formerly Peoples Heritage Bank. We have received hundreds of letters and e-mails from happy borrowers, which has kept our business alive through out this witch-hunt. My borrowers have referred me business because of our honesty, good-rates and service. My mother in-law has received flowers on many occasions for her outstanding service to our borrowers. She is 65 years old and ***would*** *have a difficult time finding employment with a large lender based on her age. Both my husband and I have received numerous letters from the Office of Consumer Regulation in addition to the Better Business Bureau for a flawless record and per OCCR "A no-violation report is an outstanding accomplishment by you and your staff, and you are to be congratulated. Reports such as this occur only as a result of hard work and diligence, and constant attention to the various consumer credit statutes and requirements". (Enclosed) These are the people you are destroying with the biased information you are using to make the changes proposed, I ask you to step back and re-examine these proposals.*

Sincerely,

Susan Bissonnette-Hilse
President/Sr. Loan Officer

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
OFFICE OF CONSUMER CREDIT REGULATION
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June 27, 2006

MATTHEW A HILSE
VP / LOAN OFFICER
MAINE MORTGAGE PARTNERS
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PORTLAND ME 04104

Re: Recent Routine Compliance Examination

Dear Mr. Hilse:

Enclosed please find the results of this Office's recent examination for compliance with the Maine Consumer Credit Code – Article X and Office Regulation 02-030-350 relating to Loan Brokers.

You will notice that the Examiner, after conducting a review of fifteen arranged real estate transactions along with related paper work, found no violations.

A no-violation report is an outstanding accomplishment by you and your staff, and you are to be congratulated.

Reports such as this occur only as a result of hard work and diligence, and constant attention to the various consumer credit statutes and requirements.

Sincerely,

Del Pelton

Del Pelton
Principal Examiner

Enclosure

Better Business Bureau®
Start With Trust℠

Certificate of No Complaints

BBB℠
ACCREDITED BUSINESS

As of March 17, 2008,
Maine Mortgage Partners, LLC
has not received a single customer complaint
with BBB in the last 36 months.

Kevin J. Sanders
President & CEO

BBB

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