

From: "Mark Cappelletti" <mark@cappellettigroup.com> on 03/29/2008 02:05:04 PM

Subject: Regulation Z

*Dear Sirs,*

I am a licensed California Real Estate Broker currently originating loans and selling real estate. I have been in the business since 1992 when there was a similar housing crisis. Please consider the points below regarding the proposed legislation.

- 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. We must let our free market determine our compensation
- 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
- Mortgage brokers act as an intermediary between borrowers and lenders, and the value the broker adds in the real estate transaction is greatly needed by serving BOTH parties, but representing NEITHER.
- I am willing to make disclosures encouraging prospective borrowers to comparison shop and explaining that ALL loan originators do not represent borrowers and do not necessarily offer borrowers the most favorable terms.
- Mortgage brokers must compete with direct lenders. The distinctions between brokers and lenders have blurred in recent years as lenders themselves typically package and resell loans they originate. However, lenders do not have to disclose YSP's! Very unfair advantage against brokers.
- Consumers are largely unable to distinguish between brokers and lenders, which have similar names, use similar signage, and rely on similar advertising.
- Consumers 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 .
- I encourage that disclosures apply equally to ALL mortgage originators, not just brokers.
- Yield spread premiums are an imperative tool that gives the consumer choices such as

the ability to defray upfront costs.

- Fees similar to the YSP are present in any mortgage origination distribution channel, regardless of whether a broker is involved
- 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.
- 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.
- Please consider alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators, and encourage competition on price and service.

Thank you for considering my comments.

Respectfully,

Mark Cappelletti  
Broker

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