

**From:** "Charles M. \"Mike\" Arrison" <cmarrison@comcast.net> on 03/31/2008 01:20:02 PM

**Subject:** Regulation Z

*Both attached and below you will find my comments on Docket No. R-1305.*

*Charles M. "Mike" Arrison  
Clarion Mortgage Associates  
Manchester, NH*

My name is Charles M. "Mike" Arrison. I am a licensed New Hampshire mortgage broker and the owner of Clarion Mortgage Associates located in Manchester, New Hampshire. I have owned Clarion Mortgage since April 1992 and have been in the mortgage industry since 1969.

I am writing to voice my concerns with the proposed rule amending Regulation Z. Docket No. R-1305.

First let me state that I fully support the goals of the Federal Reserve Board as they relate to consumer protection. In almost forty years in the industry I have continually strived personally, and encouraged those who worked for me, to always keep the consumer's interest utmost when providing mortgage services. The latter is virtually impossible to do.

However, I am very concerned and oppose the proposal by the FRB to restrict compensation for mortgage brokers, and only mortgage brokers. I also am opposed to requiring mortgage brokers, and only mortgage brokers, to be required to disclose their compensation before taking an application.

Whenever a customer calls, especially a first time homebuyer, they know that they are about to enter an arena that they have little or no expertise in. They are nervous and apprehensive. I have always strived to put them at ease, make them aware of their options, and walk them through the massive amount of paperwork that is involved in obtaining a mortgage. After obtaining the application and the credit report a quick analysis will determine if the applicant qualifies for a mortgage and what type. At this point the applicant and I discuss the options available and what program best suites the applicant. They then can make the decision on which program to take.

I then make arrangements to get all the required paperwork that is needed. At this time it includes twenty one (21) pages of signed application, GFE, etc. and sometimes double that in documents that the applicant must provide such as paystubs, 1040s, W2s, rent receipts, canceled checks, bank statements, etc. I then review these items to confirm that the information the applicant gave on the application is correct.

At this point the package is presented to a lender's underwriter and when a preliminary approval is obtained an appraisal is ordered. The applicant pays for this. No other upfront fees are, or have ever been, collected by me. If the mortgage closes I will make a fair income for my services. If the mortgage doesn't close because of numerous items beyond my control (low appraisal, applicant decides to use another source, applicant decides not to buy the house, etc.) I

make nothing.

Once the underwriter approves the loan and the loan is ready to close I set up the closing, make sure that the applicant is aware of what is needed, and attend the closing.

For the above my commission paid by the applicant and/or the lender (yield spread premium) is, combined, between 1% and 1 ½%.

I would now like to address the yield-spread premium. I have heard some people refer to this as a broker kick back. Nothing could be farther from the truth. I am sure you are aware how the yield spread premium can be used to pay certain costs. However, let me give you one example of why a customer would want to pay a slightly higher rate and let the broker make his/her commission on the yield spread premium vs. paying points to the broker.

Assume a customer is applying for a refinancing of their home to do some much needed home repairs. Further assume that this customer has teenage children who are within a couple years of college. When completing the application the broker notes that these customers have limited savings. This customer could get a mortgage at a slightly lower rate but would have to pay point(s) so the broker could realize income from this refinancing. These points are earned when the loan funds.

Knowing that in about two years this customer will most likely do another refinancing to pay for the college an experienced mortgage professional would suggest to the customer that they do the mortgage at a slightly higher rate, because in the two-year window the customers would actually save money this way vs. paying the upfront point(s).

The industry today is complicated, confusing and sometime simply scary to consumers. When they see ads on television, read them in the newspapers, or hear them on the radio they rarely know whether they are being addressed to by a lender, a mortgage banker, a mortgage broker, or in some cases a boiler room. Also many mortgage bankers now operating in the industry often originate loans as a mortgage broker. By doing this they have the mortgage pre-approved by a lender and close in the lender's name or assign the mortgage at the closing table to the lender. The lender's funds are actually used to fund the loan. This way the mortgage banker does not have to use their warehouse lines thus saving an expense. They also do not have to disclose their compensation as a broker has to even though they are originating the mortgage as a broker.

Additionally mortgage bankers receive a serviced released premium from major lenders. State chartered banks and credit unions also receive this. It is part of their income (profit) and they are not required to disclose this to the customer. Why?

The current proposed legislation appears to be directed at only mortgage brokers. This means that the broker must disclosed all compensation that he or she will receive when the lenders (mortgage bankers, federally chartered banks, credit unions and state banks) do not. If the FRB would include all lenders, mortgage bankers, mortgage brokers and originators under the proposed rule I would have no objection. However, how it is now being proposed the mortgage broker is being single out and is being put at a tremendous competitive disadvantage.

All I am asking for is a fair playing field. As a Mortgage Broker I don't want any special treatment but want to be able to compete in an industry that has been good to my family and me.

I want to thank the Board of Governors for taking the time to read this letter and hope that they will consider the points I have made.

Sincerely yours,

**Charles M. Arrison**

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