From: "Georgia Watson" <gwatson@equitascap.com> on 03/31/2008 06:15:04 PM

Subject: Regulation Z

Dear Sir of Madam:

My name is Georgia Watson, and I work for a mortgage broker in Mountain View, CA.

I applaud the proposed Fed Rule amending Regulation Z as it would place some useful consumer protections, but it also would impose significant, undue burdens on mortgage brokers. 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. That disclosure would have to be made *before* the consumer paid any fee to any person, *and* before submitting an application.

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 believes, 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. The Fed has taken this position even though exhaustive studies of mortgage disclosures by the Federal Trade Commission, the government’s principal consumer protection agency, in 2004 and 2007 show that additional disclosures of mortgage broker compensation created confusion, caused consumers to choose more expensive loans, led to a bias against broker-assisted transactions, and impeded competition, thus hurting consumers.

Mortgage brokers exist as an industry because we provide much needed value-added services to consumers looking for real estate financing. If we do not deliver value add, we could not survive as an industry and would not be competitive against large banks. Consumers have traditionally turned to us primarily because we have provided lower rates and/or best one-on-one service to ensure that consumers get the financing they need. But as do compete with direct lenders, making unfair distinctions between brokers and lenders, such as requiring complicated disclosures from brokers but not from other originators, is detrimental to consumers' rights/best interest, not to mention negatively impacting the livelihood of a huge economic sector of our country.

Unlike bankers, mortgage brokers use YSP to pay for clients' upfront and backend transaction costs. In the real world, 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. Furthermore, 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. Also, it is very likely for borrowers to change loan products, loan amounts, or to choose a rate later on in the process -- all of which would further impact the YSP.

Any disclosures that the Fed deems NECESSARY during a real estate transaction MUST BE applied equally to ALL mortgage originators, across all channels, not just to brokers. Singling brokers out does not address consumer abuse, but merely exacerbates it as the government would be unfairly trying to steer consumers towards banks, who historically have marketed higher rates and have left consumers very confused with poor customer service. Just this week I had a client tell me that they refinanced with Wells Fargo directly in order to lower their payments, but instead of doing an Interest Only product which the borrower believed was agreed upon, the consumer ended up with a normal amortizing loan. If the consumer had known about this ahead of time, she would not have agreed to the refinance. Now, she is left with payments that she cannot afford and is frantically trying to figure out what to do with her loan. The Wells Fargo rep would not do anything to correct his mistake. Unlike employees who work for banks, I do not have a salary to depend on; I am only compensated if the customer completes a transaction and stays happy with me. I am my own employer, and my boss are my clients; hence, I have a tremendous amount of interest vested to make sure that I do a great job for my clients and are always available. This is not the case with bankers, whose employers are the banks, who work 9 to 5, and who don't really care if the loan goes through successfully or not, and don't care if mistakes are made that causes consumers enormous grief.

I encourage the Fed to consider alternatives to the proposed regulation, something that would actually protect consumers in their dealings with <u>all mortgage originators</u>, and encourage competition on price and service. The United States is the great country it is today because it fosters healthy, fair, competition and encourages all businesses to compete to provide better service to consumers. Unfairly steering the market away from mortgage brokers would create a unnatural monopoly that would exacerbate the current recession by: increase rates for consumers, generate more market confusion due to lack of personal service from people who are not vested in the transactions, and make deliver a huge blow to small business owners.

In close, I want to thank the Board of Governors of the Federal Reserve for your time and your consideration of these comments.

Warm Regards,

Georgia Watson
Sales Associate for Christine Kani
Equitas Capital
office (650) 396-7535
cell (650) 380-3626
fax (877) 822-3264
gwatson@equitascap.com