From: <natejr@cox.net> on 04/01/2008 03:10:02 AM

Subject: Regulation Z

To whom it may concern,

My name is Jon Nathenson. I own a mortgage Broker company as a sole proprietor under the name Nathenson Mortgage Services in San Diego, California. I have two kids and a wife to support and am very concerned about my ability to continue to compete and make a living in the lending business if the proposed new rules are implemented as written.

While I strongly support legislation that is aimed at regulating the lending industry to protect consumers from unscrupulous people, I oppose any legislation that restricts the compensation that mortgage brokers are able to earn and that restricts the way that such compensation is earned. As a mortgage broker I perform very valuable services for my clients that goes well beyond just getting a loan for them. I have been a mortgage broker for 18 years and have originated thousands of loans, and on every one of those loans I have provided a detailed financial analysis and comparison of the particular loan as well as other loan options, and the effect of those loans on the borrowers financial situation. In other words I am much more than just an "order taker" and my compensation is commensurate with the services performed.

Mortgage brokers are extremely valuable in the marketplace because we facilitate lending by bringing well qualified borrowers to lenders who might not otherwise be in contact with those borrowers. This keeps the money flowing and gives many consumers the necessary buying power to spend money and keep the economy moving forward. The proposed new rules have the potential to eliminate many small mortgage brokers from the marketplace thus limiting the amount of lending that will occur and further weakening the housing market and the economy in general.

By far the most onerous new rule proposal is the requirement that a mortgage broker and not any other mortgage originator would be required to disclose the specific dollar amount that the mortgage broker will earn on a transaction including yield spread premiums BEFORE the consumer submits an application. That is absurd! In most cases (especially in today's lending environment) it is virtually impossible to determine a specific amount of compensation that a broker will earn because the wholesale cost of the loan to the broker in terms of the rate and the fees is highly dependent on the prospective borrower's financial status as well as the value of the property, the amount of the loan and the type of loan product, all of which may change during the process. We determine part if not all of our compensation based on the wholesale cost of the rate, and at the initial stages BEFORE an application is taken we only know the base rate and fees for a particular product. AFTER we obtain the application and verify the financial status of the borrower and review different loan product options with the borrower, then we are able to determine the various additional rate and/or fees that will be added to the base rate and fees. At that point we are then able to quote a particular rate and fees with much more accuracy, but it is still possible that some of the aspects of the loan request will change causing additional fees to be added t o the rate by the wholesale lender. Therefore, because of the various factors that go into determining the rate and cost of a loan that may change AFTER the loan application is taken, it is an unrealistic requirement to make a mortgage broker pinpoint his precise compensation up front BEFORE the application is taken.

The proposed rule requiring disclosure of the exact amount of compensation BEFORE taking an application is also unfair because it is only a requirement for mortgage brokers and no other mortgage originator. It creates a very uneven playing field because if a mortgage originator doesn't have to make the same disclosures, then even if they are earning more than a mortgage broker would on a particular transaction because of large amounts of "back-end" fees, they are shielded from having to disclose those fees up front. Consequently it is only natural for the consumer to think that a non mortgage broker originator is offering a better deal, when in fact that might not be the case. If the rules are trying to protect consumers and allow them to negotiate the best deal for themselves, this rule fails. This was clearly demonstrated by the exhaustive studies made by the Federal Trade Commission in 2004 and 2007, that showed that additional disclosures of mortgage broker compensation created confusion, caused consumers to choose more expensive loans and led to a bias against mortgage brokers, and impeded competition. Thus the studies by the Federal Trade Commission showed that the proposed new rule is likely to harm the consumer rather than help the consumer. The Federal Reserve should look hard at the results of those tests before implementing rules that restrict competition and will ultimately further damage the economy. If the rules are implemented then at the very least they should apply to ALL mortgage originators and not just mortgage brokers.

For the foregoing reasons I urge the Federal Reserve to reconsider these proposals and consider alternatives that would protect consumers in their dealings with ALL mortgage originators, and encourage competition on price and service.

Thanks you for allowing me to make my comments. I hope that they will be carefully reviewed and that you will understand the importance of creating new alternatives that don't have the unintended results of harming the consumer.

Sincerely,

Jon David Nathenson