

From: Bryan Ehrlich <bryanehrlich@gmail.com> on 04/01/2008 09:55:03 AM

Subject: Regulation Z

Thank you for this opportunity to share my experiences as a Florida Licensed Mortgage Broker with your Agency. I have been a licensed broker for over 15-years in Florida, in the Tampa Bay area. During my career, I have been employed as a mortgage broker and a mortgage banker. Most of my professional career has been as a mortgage banker, while the last several years I have functioned strictly as a broker. I have learned a great deal from both approaches and lines of business.

One thing is for certain, there is little difference between a mortgage broker and a mortgage banker. Both originate loans and work with consumers on the front lines. Mortgage brokers and mortgage bankers are paid a commission on their production. Mortgage banker's commissions (just like mortgage brokers) are directly tied to yield spread based on the interest rate that they quote their clients. Neither represents the borrower.

The one primary difference between mortgage brokers and mortgage bankers is that most states require brokers to be keenly versed in state brokering laws. Mortgage brokers must pay for and take extensive mortgage educational courses. Mortgage brokers must also pay for and take a detailed state exam. Mortgage brokers must also regularly pay for and maintain their licensing registration. This is not the case for mortgage bankers.

Mortgage bankers have the benefit of operating without a state license because they can do so under the umbrella of a larger financial institution. The absence of mortgage education for mortgage bankers is a disservice to the borrower. How could it possibly be better for consumers to obtain financial related services from an unlicensed, uneducated advisor?

When I operated as a Mortgage Banker the rates and terms for which I quoted borrowers was strongly influenced by the yield spread that was to be paid by my employer. The higher the rate I quoted, the higher my compensation. The higher the closing fees, the higher my compensation. Quite often I found that I lost business to mortgage brokers because my employer's pricing was not competitive

even if I reduced my potential compensation.

As a Mortgage Broker the rates and terms for which I quote borrowers is strongly influenced by the yield spread that will be paid by the wholesale lender with whom I choose to place the loan. The higher the rate I quote, the higher my compensation. The higher the closing fee, the higher my compensation. Quite often I find that I “steal” business from mortgage bankers because the pricing I can pass through to the borrower is more competitive even though I am compensating myself from the yield spread. This is the case primarily because as a mortgage broker I personally manage ALL my expenses, right down to my health insurance. Unfortunately, consumers seem to have the impression that going with a mortgage broker is more expensive than going with a mortgage banker. This could not be further from the truth. The Board of Governors actions could further impugn the consumer’s perception of mortgage brokers.

As a mortgage broker I have saved hundreds of borrowers thousands of dollars by successfully placing their loan with the most competitive lender. Mortgage bankers can’t offer this benefit to borrowers. As a mortgage broker I have effectively educated and disclosed to borrowers because of my state licensing educational background. Mortgage bankers can’t offer this benefit to borrowers. As a mortgage broker I have helped borrowers achieve homeownership when they were turned away by overly conservative financial institutions.

While your intentions are good, the likely outcome of your efforts will do tremendous harm to brokers and consumers alike. This great rush to plug the leak in the sinking ship will wind up bringing the ship to a complete and utter halt. If the Board of Governors implements policies to limit mortgage brokers’ ability to earn a living, mortgage brokers will close up shop. As a result, home buyers will lose their ability to benefit from lower rates and consumer education. It is strange that what has is primarily a housing bubble has resulted in the scathing accusations and finger pointing at mortgage brokers.

Just like any other profession mortgage brokers provide a wonderful service and value to consumers. Yes, there are some bad eggs. There are in any profession. That is why state governments are wise to legislate when it comes to mortgage brokers. Unfortunately this legislation is not typically balanced with mortgage bankers as well. It is time for state governments and the federal government to recognize that biased legislation facilitates monopolistic practices and damages the consumer. It is time for mortgage bankers to be treated and legislated just as

mortgage brokers always have been.

Sincerely yours,

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President



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