

From: "Clint Schnoor" <clint.schnoor@magellancm.com> on 04/01/2008 11:30:02 AM

Subject: Regulation Z

I am writing to address the Proposed Rule Amending Regulation Z under Docket No R-1305. I have been in the mortgage industry for 10 years and have been on the banking side of the business as well as the broker side of the business. I currently operate my own mortgage brokerage, Magellan Capital Management, and have done so for the past 3 years in Boise, Idaho.

I first want to express my support of the consumer protection goals of the proposed Amendments. I feel they are well thought out and will enhance disclosure under Regulation Z. I am a proponent of clear, concise, understandable disclosure for consumers. However, I am opposed to the proposal on how to restrict compensation for mortgage brokers.

I started my career working for a large mortgage banking company. We were not required to disclose our back side or yield spread premium income because we banked our loans and immediately sold them in the secondary market. As this my first experience in the business, I thought this was the norm and was how all things were done. As I continued to work in the industry and learn more, I became aware that mortgage brokers had to actually tell borrower an estimate of what their total compensation would be. This amazed me because we as bankers could float with the market or not and never had to tell the borrower how much money we were ACTUALLY making. As I moved up in the mortgage banking company from an originator to vice president of operations, I was put in charge of opening a wholesale lending division. In this part of our business we took in originations from mortgage brokers and fund the transactions. This opened my eyes to the side of the business that mortgage brokers work in. I found through 3 years of running the division that most brokers charged less in total compensation than bankers and actually provide the consumer with better disclosure of their total income than what was done on the banking side.

This lead me to make a career change, go back into origination and become a mortgage broker. I personally feel that the disclosure made by mortgage brokers to consumers fit my moral beliefs better than that required by the banking system. Let me give you an example.

A borrower is seeking a \$200,000 loan to purchase a home and gets a quote from a mortgage banker and a mortgage broker. Disclosure of income to each type of originator would look something like this.

	Mortgage Broker	Mortgage Banker
Origination Fee	1% or \$2000	1% or \$2000
Yield Spread Premium	0 to 3% of loan amount	NOT REQUIRED
Rate quote	6.00%	6.00%

In my opinion, the mortgage broker gives a much clearer representation of what income will be made. In the industry, we know that a mortgage banker is going to make essentially the same income off of the rate that is quoted by IS NOT required to tell the consumer how much that will be. I DO NOT FEEL THIS IS FAIR AND ACCURATE DISCLOSURE AND IS A DISADVANTAGE TO THE CONSUMER. I feel strongly that all originators whether they are bankers or brokers should be required to make complete and accurate disclosure of income with in given tolerances.

Another point that I would like to make is that the proposed rule requires exact disclosure of compensation by a broker BEFORE loan application. This is essentially impossible because without a loan application we do not know what the borrower's income, employment, assets, or credit is and there fore cannot begin to pick a program they qualify for. If a disclosure was made BEFORE application it would essentially be meaningless. Take this as an example, if the FEDERAL RESERVE is making a loan to an institution, DO YOU SET THE TERMS OF THE LOAN PRIOR TO DETERMINING WHAT THE COLLATERAL, CREDIT, CAPACITY AND ASSETS OF THE INSTITUTION IS? I would hope (and know) that our government does not make decisions that way.

In conclusion, I do feel that change needs to be made to the industry. I feel that better disclosure is correct and that there needs to be changes. I FEEL the current proposal will HURT the consumer by not

requiring ALL ORIGINATORS to disclose the same way. I would propose that all originators disclose ALL compensation within a .500% tolerance of final numbers AFTER or within 3 days of Application. This would be clear, concise and let them make an educated decision. Even change the name from Yield Spread Premium for brokers or Service Release Premium for originators to something like INCOME TO BROKER OR BANKER. This would be much more accurate and would take the GRAY out of the words.

Please consider my information and adjust the proposed rule. I appreciate the time you have taken to read my comments and to oversee the monetary system of our great nation.

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