From: "Richard Wolff" <richardwolff@san.rr.com> on 04/01/2008 11:35:06 PM

Subject: Regulation Z

To Whom It May Concern:

Re: Docket No. R-1305

I have been self employed in California as a Mortgage Broker for the past 16 years. Prior to that I was a self employed real estate appraiser for 6 years. California licenses all their mortgage brokers and are regulated by the Department of Real Estate. I whole hardly support the Federal Reserve Board's proposed amendments regarding consumer protection, but respectfully oppose the proposal to restrict compensation for mortgage brokers only.

By imposing regulations on mortgage brokers and not the banks, credit unions, mortgage bankers etc. is unfair and anti competitive. We all know there are bad apples in all professions. There were just as many fraudulent loans sold by "retail loan officers" at retail banks as by mortgage brokers. Mortgage brokers historically originate 65% of residential home loans. The reason the number is so high is that most mortgage brokers have their client's best interest at heart.

Mortgage broker compensation, including yield spread premiums, already are disclosed on both the GFE and HUD-1, even though there is no corresponding requirement for lenders to disclose compensation paid to their own sales staff (many who are not licensed). Currently in California we disclose all costs and fees on the Mortgage Loan Disclosure Statement (MLDS). Currently banks, credit unions, mortgage banks do not disclose yield spread premiums. That is entirely unfair to the broker and the consumer. In addition, banks, credit unions, mortgage banks are also paid a SRP (servicing release premium) in addition to the yield spread premium and that is never disclosed to the consumer. During my career I have personally funded over 1200 loans. I run a small business and my stated goal is as a trusted advisor to my clients and referral partners. In 16 years I have never had a client default on a mortgage. I have helped hundreds of clients buy their first homes. I do very little advertising and have a very loyal referral network of clients, Realtors, Financial planners and Attorneys. In the proposed regulation changes the text describes modifying Yield Spreads (YSP). Going back over my personal loan production I developed the following statistics. Over 62% or 744 loans were originated with no points and or no points and costs. Without the availability of a yield spread, 62% of my clients would not been able to purchase or refinance their homes. In a first time buyer situation, most of my clients are scraping together a down payment and closing costs. Without the yield spread premium they would not have been able to buy their homes. Many clients in a refinance situation, want to maximize their available cash and choose a loan with a yield spread. Sometimes, they would not be able to refinance without a loan with a yield spread because their loan to value would be too high. Many times clients do not expect to be in their homes that long, or feel rates will be lower in the future which makes paying an origination fee, a poor financial move. This component of the regulations will lessen competition due to the uneven application between mortgage brokers and banks. It would drastically limit consumer options and monopolize pricing among a few big banks.

Mortgage brokers act as an intermediary between borrowers and lenders, and the value the broker adds in the real estate transaction by serving BOTH parties, but representing NEITHER. I choose to become a mortgage broker to be able to offer my clients better loan pricing by being able to shop 10 to 20 banks and avail my clients to more loan programs, first time homebuyer programs, FHA, VA all at one point of sale.

Consumers should not need to distinguish among mortgage originators: both government policies and the marketplace should be set up to permit consumers to get the best deal at the best price, regardless of whether they use a broker or deal directly with a lender. Anything else would be anti-competitive and anti-consumer.

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. Requiring brokers, but not other loan originators, to make compensation disclosures will inhibit competition, which will limit consumer choice, increase prices, and hurt borrowers at a time they need the most help.

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.

The imposition of the originator to determine borrower's ability to repay mortgage for a minimum of 7 years is unreasonable in it that such a process would only be available if the mortgage broker could see "into the future" to anticipate job layoffs, severe medical problems, future divorces etc. Currently we "pre-underwrite" the loan to the lenders underwriting requirements. It is not a mortgage brokers job to set the underwriting guidelines. It is the job of Fannie Mae, Freddie Mac and the banks' loan committee. Again, requiring any requirement solely of the mortgage broker and not the lending industry, be it broker or bank is anti-competitive and monopolistic.

In conclusion, the current turmoil in financial markets was a result in a breakdown in underwriting standards for mortgages, and a "significant erosion" of market discipline by those involved in bundling those loans into securities for sale to Wall Street investors.

Credit rating agencies produced flawed assessments of the risks involved in investing in mortgage-backed securities (MBS) and other "structured credit" products, especially collateralized debt obligations (CDOs) that contained MBS and other asset-backed securities.

There is a lot of blame to go around in our current situation. But to single out mortgage brokers and impose uneven regulations is anti-competitive, anti-small business and anti-consumer. I suggest the Fed consider alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators (broker and bank alike), and encourage competition on price and service

Thank you for considering my comments,

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