From: Jody Watters <clarioun@comcast.net> on 04/04/2008 01:00:03 PM

Subject: Regulation Z

To The Board of Governors of the Federal Reserve System:

I am writing today to give you my opinion and that of my husband on the proposed amendments to Regulation Z. My name is Dawn-Renée Mack. I am a 36 year old licensed professional mortgage broker in Lakewood, Colorado with nearly 11 years of experience in this industry. My husband, Jody Watters, 46, is also a licensed professional mortgage broker. Over 80% of our business is repeat and referral clients, which I think speaks volumes about the kind of business we conduct.

While I completely, 100% support the consumer protection goals of these proposed amendments to Regulation Z, I respectfully disagree with and oppose the proposal to restrict compensation for mortgage brokers. I will highlight how mortgage brokers are valuable to the integrity of a real estate transaction, how they actually help keep consumer costs down by providing direct competition for retail banks and how consumer distinctions between brokers and banks are non-existent. Additionally, I will point out why adding extra disclosures to only one segment of the loan originating force will NOT protect the consumer and how it can actually steer consumers away from the most favorable loan for their situation. Lastly, I will explain how I feel it is impossible in the real world to disclose an *accurate* dollar estimate of a transaction prior to application.

Mortgage brokers are an important part of every transaction between lenders and borrowers. They are independent intermediaries serving both parties but representing neither. If a borrower goes into the local Wells Fargo and are declined, they must go reapply from scratch somewhere else. If they apply with a broker and are declined at one lender, they can be submitted to another lender without more paperwork on the part of the consumer. This is a huge benefit to the consumer, especially with FHA insured loans. Approval of a FHA insured loan is usually completely up to underwriter discretion, which can vary widely based on an individual underwriter's understanding of a given situation.

Mortgage brokers compete with direct lenders and consumers see little difference between a loan officer at a bank and a mortgage broker, who is also commonly referred to as a loan officer. We all originate loans in the same way with the same disclosures and consumers are savvy on this count....they see no distinction until they understand that mortgage brokers have more options in terms of pricing and programs and can typically beat the pricing and fees from banks. Additionally, what little distinction is left between originators who work for banks or who are brokers is further broken down by the fact that lenders themselves typically package and resell loans they originate on the secondary market. Again, consumers see brokers and lenders as *originators*. We have similar titles, use similar signage, the same disclosures (for now, but that is a different topic) and have similar advertising. The Federal Trade Commission commissioned exhaustive studies in 2004 and again in 2007 that show 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 the very consumer you seek to protect. If you TRULY want to PROTECT the consumer, you will require that any

additional disclosures apply to ALL originators, not just brokers. Originators at banks are paid the exact same way as originators who are mortgage brokers....except they usually make a much smaller percentage of the origination fee and the YSP. This fact paves the way for HIGHER consumer fees to the originator who works for a bank. What I suggest is using the disclosures you already have in a more effective way for ALL originators. Require that the closing cost section of the Good Faith Estimate be accurate. We offer our client a Good Faith Guarantee that if their closing costs at closing are more than $100 more than what we disclosed, we pay the difference. Require that all originators are educated on how to properly mark costs on the GFE so that the Truth in Lending APR section is one that consumers can use to compare one like loan to another! It is hard to advocate MORE disclosures when the existing ones are not effectively or accurately utilized.

In regards to yield spread premiums (YSP), they are much more than simply compensation to the originator. In some cases, they help to pay third party, non originator closing costs to facilitate getting a consumer into a home for which they otherwise might not have enough liquid funds. Alternatively, they can help a consumer by paying closing costs on a refinance so that those closing costs do not add to the principal balance of the loan. The lion's share of closing costs in Colorado are third party fees, mostly to title insurance companies for title insurance, closing fees, notary fees, endorsements to the base title policy, tax certification fees and recording fees. In other words, fees over which originators have no control.

In the real world, requiring brokers, but not all other loan originators, to make compensation disclosures enable the broker's competitors to steer consumers away from brokers, even if the brokers are offering the consumer MORE FAVORABLE loans!! We already disclose YSP on the final HUD 1-A (where real estate agents also disclose their their income, which is commonly 2-3 times that of the originator). We also disclose a range of YSP compensation on the initial, existing Good Faith Estimate. Until we lock a loan, we do not know what the accurate YSP will be. With purchases, we cannot lock a loan until the consumer has found a property and has an accepted, fully executed contract with the sellers. To imagine that we can ACCURATELY disclose a precise dollar estimate of fees BEFORE an application is submitted from a consumer shows a patent lack of understanding of this industry. Prior to application, we have no idea what the prospective borrower's financial status, transaction details, type of mortgage product they are seeking, or the amount of the loan, all of which may vary as the transaction progresses.

Instead, we encourage the Board of Governors of the Federal Reserve pay close attention to the FTC studies on expanded disclosures, more effectively utilize the disclosures that already exist and apply any changes to ALL segments of the originating population so that consumers are truly protected while retaining level competition that will keep prices low and service excellent....both essential to consumer protection.

Thank you for your time and attention to those of us who are in the trenches and trying to serve our clients, the consumer, in the most ethical and fair way possible. Mortgage brokers are good for the industry and good for competition, which is always good for consumers.

Sincerely,

Dawn-Renée Mack & Jody Watters

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