

From: "Michele Cole" <michele@wantinsight.com> on 04/03/2008 10:20:03 AM

Subject: Regulation Z

To Board of Governors of the Federal Reserve System re: "Docket No. R-1305"
regs.comment@federalreserve.gov

I am Michele Cole, owner of InSight Mortgage Group, LLC, Prairie Village Kansas.

I am a strong advocate and supporter of consumer protection rules and regulations, and believe that guidelines and rules should be made to protect the consumer. However, I am respectfully opposed to the rules that restrict the brokers and put undue burdens upon them. And even more so opposed, because the proposed rule only restricts the brokers, but not other mortgage originators, thereby creating a system that cripples the brokers businesses and which potentially exposes the consumer to greater predatory lending practices by other mortgage originators. Brokers help balance the mortgage industry, and they provide services to the consumer which other originators can't do, such as shop rates/fees with different investors, to find the best rates and products for the customer.

Specifically, disclosing a broker fee and/or before the consumer even fills out an app simply doesn't make sense. We can't possibly know rate/yield spread before we take a bonafied application. Rates and yield spread depend on the information we get from the customer, verified by income and assets, etc. Also rates depend on the credit scores of the customers which we would not know without taking an application and pulling credit. There simply is no way to accurately determine fees and yield spread prior to taking an application. For brokers to have to do so, while other originators don't, gives the competition an unfair edge on gaining our customer's business. Not only that, since we pride ourselves on integrity, honestly and building relationships, our credibility would be challenged when we are unable to make accurate statements as to our fees and yield spread. Our word would be devalued. We believe in standing behind our word.

One great value of brokers is that we have the ability to research several different lenders, not just one that we work for. This allows us to find the best rates and the best products for our customers. We can't do that without taking an application. Typically we take an application or preliminary information from a customer gathering as much information as we can beforehand, to determine whether or not the loan is in the best interests of the customer. Based on the information the customer gives us, we then search several different lenders to check out their rates and what our yield spread would be. We rarely charge a broker/origination fee, but do so occasionally. We are always upfront with our borrowers about what fees we are charging, including the yield spread, and explain the difference between yield spread and origination/broker fees. In addition, in the case of mortgage purchases, we have to send compliance docs out prior to our customers finding a house to buy. It is necessary for them to have a Pre-Approval Letter from a mortgage company before they can make an offer on the house. How can we give any kind of accurate pre-approval without an application, or without knowing more information? We are unable to lock a rate and tell them what the yield spread would be, since we don't even have a property, or contract with loan amounts. And since we don't know what the rates and yield spread will be when they finally find a house to buy, how can we even give them a "final, binding" quote or estimate? This will effectively take the yield spread out of the equation for mortgage brokers, while leaving it in place for other originators. That means they can charge yield spread and broker/origination fees both and not have to disclose them to the customer upfront before customer takes an application. How is that in the best interests of the customer? It effectively leaves the door open to other lenders who may follow predatory lending practices, but don't have to disclose them until the very last minute.

Once again, I must stress that I am strongly for protecting the customer from predatory lending practices. It is what InSight stands for, and what I am endeavoring to do here at InSight Mortgage. But "fair and equal laws" should be in place for all originators, not just brokers. And especially, disclosing yield spread

and broker/origination fees up front just doesn't make sense, nor is it feasible, before taking an actual application. There is no way to make an accurate determination of these fees before the application process. These fees are disclosed on the Good Faith Estimate, and also on the Broker Fee Agreement sheet (which includes broker/origination fee and yield spread premium) that we have our customers sign with other compliance docs. This is done in the early stages of the loan process, and these fees are disclosed in the compliance documents we are required by law to send out within 3 days of taking an application. We also disclose our standard fees, such as application, processing and courier fees on the Broker Fee Agreement. The other fees incurred on a loan are for the appraisal, and depend on the appraiser, and title fees that depend on the title company used on the loan. These are the current laws in place for brokers. We need laws that not only protect the consumer, but that encourage competition on price and service. This is the "American" way and is to the benefit of all consumers. When laws are equal to all involved, the consumer is better able to get an accurate, fair, price or product - in this case, a fair and beneficial mortgage loan.

Thank you for taking time to review my letter. I trust you will make informed and wise decisions based on all the people involved in the mortgage industry, and will make equal and fair laws that protect not just the consumers, but brokers and other originators, all.

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