From: "Melanie Thompson" <Melanie@MortgageEquityTeam.com> on 04/04/2008 03:45:06 PM

Subject: Regulation Z

To Whom It May Concern:

The Docket Number R-1305 that is under consideration at the moment is what I would like to address in this email. As the mortgage brokers and lenders continues to take shots to the arm on being the "bad guys" in the current housing and credit crises, I would like to bring up a few points from the real world trenches with mortgage borrowers today to help shed a little light and give you my personal take on the Rule.

There does need to be additional oversight of the mortgage industry, but not to the detriment of the consumer. The Federal Trade Commission's studies of mortgage disclosures, completed in 2004 and 2007, highlight the exact reasons why too much of good thing can be very harmful to the consumer. The FTC is the government's chief consumer protection agency and they found that additional disclosures of yield spread premiums, beyond HUD's already required Good Faith Estimate and HUD-1 settlement statement, lead the consumers to be more confused, caused consumers to choose more expensive loans, led to a bias against broker assisted transactions, and impeded competition. The addition of a reasonably correct and an up front disclosure of yield spread premium prior to accepting a fee from the consumer or completing any application documents is impossible – we have no idea what the income, credit, down payment, and programs available to the consumer without pulling a credit report, analyzing income and asset documents, knowing the loan amount, and reviewing the collateral property's sales price or value, all of which may vary through the loan transaction process. Getting a mortgage loan is not at all like getting a certificate of deposit from a bank --- borrowed money terms are completely different than deposited money terms. And even with deposited money, the advertised and posted terms may not apply to the consumer --- the banks pull credit reports, too, before opening a deposit account for a consumer, and that's to know that the consumer isn't on a deposit account "blacklist". These well documented FTC studies show that the consumer is hurt by the additional mortgage broker disclosures, and that goes against the grain of what we're all trying to accomplish --- giving the consumer the best options for them at the best rates resulting in the lowest overall cost over time. You cannot buy a home, or a car, or anything for that matter, in a vacuum and not consider how that one financial transaction impacts your ability to save and prepare for the future.

I was in the automotive sales industry for 3 years prior to making the decision to be a mortgage broker. I saw how families would financially strap themselves in an automobile loan by making bad decisions on the automobile purchased, the insurance coverage selected, and the financing option they chose. From those decisions, their financial lives can be troubled should they not choose wisely. I helped bail out clients who made bad buying decisions, from the clients who bought a convertible with no back seat only to find out they were pregnant 14 months after the purchase, to the client who did not buy rental coverage on her insurance policy and wrecked her car by swerving to miss an elderly man walking across the street, to the client who bought a Tahoe and two extended warranties because she "had to have it" and didn't consider how the $1,085 payment would impact her finances when her ex-husband's child support became sporadic. I left the automotive industry after buying my first home and seeing the difference that decision made in my own life. I wanted to do the same for others. And I have done that exact same thing for hundreds of borrowers.

Though Virginia does not require me to be licensed as an originator, I've spent my own money on education, training, software, and subscriptions to help me offer my clients the best advice and tools this industry has to offer. Because of my background, I've consciously, and financially, made the efforts to be able to present my borrowers multiple options so that together we can choose the best rate and program for them for both the short and long term. When my borrowers ask me "How much can I qualify for", I answer with the question "How much do you want to pay each month?". Just because they may qualify for a payment of $2,000/month doesn't mean they want to obligate themselves to that much per month. I

back into the sales price based on what they want to put down on the home and what they want to obligate themselves to pay per month. We massage those numbers until we get to a point where the payment is comfortable and the home they buy is what they need and want.

I have been courted by direct lenders to work for them exclusively, but I will not do that to my clients and restrict myself to offering products of only one lender. As a broker, I'm able to offer very objective advice about loan products and am able to "shop" a wide gamut of options for my borrowers to get them the best available option in the marketplace at that time. I am an intermediary, similar to an insurance broker, who's able to match the client to the lender(s) that has the best options for the clients' particular needs. I don't represent the lenders directly, so I can give an honest evaluation of the programs available and help in the selection of the final loan product. A mortgage broker is similar to any wholesale versus retail outlet in that I can get the same program with different lenders to get the best rate for the borrower at the best pricing possible on that particular program. I work for one of the largest brokers in the country and my pool of lender options is vast. I love it when I'm able to get a client a better rate than the "mega-banks'" retail mortgage division and save the borrower money.

As a many mega-banks/direct lenders have begun to package and sell their originated loans, the lines between the "back office" divisions of wholesale and retail lenders have blurred dramatically and little distinction is now seen. I compete directly with the retail offices of the direct lenders and am, more often than not, better priced. We all advertise, use similar names, signs, websites, and business cards, but there is great value in the service of a good mortgage broker like me. I recently saved a borrower on a 5.5% FHA 30-year-fixed rate mortgage 1% origination fee over a mega-bank retail lender because I'm able to shop around and find a better deal than what he was offered. It may not sound like much to some, but saving 1% out of pocket on a purchase price of $130,000 ($1,300) is quite a bit when you're just graduating from college and have a wife and three small kids at home. As a broker, I am able to shop for the borrower and offer them the very best that I can find.

If you are set on adding additional disclosures for the benefit of the consumer/borrower, then those disclosures need to apply across the board – wholesale broker, correspondent lender, or direct lender. As a wholesale broker, I'm the only one required to disclose yield spread premium, but I see myself and my role as no different than the correspondent lenders and direct lenders. And in the real world, yield spread premium disclosures made by the wholesale broker can be used by the correspondent and direct lenders to steer the borrower away from a broker, even though the broker may have more favorable terms for the borrower. Yield spread premiums are much more than compensation to the broker; yield spread premiums are used to pay fees on behalf of the borrower that would otherwise be payable by them and facilitates the loan transaction by keeping the borrowers' costs to a minimum. If you remove yield spread premiums entirely, then a new and heavier burden lies on the shoulders of the borrower: they have to either pay a broker independently for their services of being able to shop rates and terms for them, or they have to take a higher rate and payment on a program that the direct lender offers.

The goal in any consumer protection legislation is to protect the consumer. If you want disclosure of compensation for originating a mortgage loan transaction, then the disclosures need to made across the board for all mortgage brokers, correspondent lenders, and direct lenders. That will be the only way that a consumer will truly know that both the price and service are competitive among all sources of mortgage financing. As a broker, I never have had an issue with disclosing yield spread premium to a borrower, and I would think the correspondent lenders and direct lenders would both welcome the added disclosure of their compensation and valued services so that a real comparison can be made between the various consumer options. Please consider alternatives to the proposed Rule so that you do what is intended: protect the consumer in their dealings with all mortgage originators (broker, correspondent, and direct), and encourage competition on programs, price, and services.

Thank you for all your efforts in consumer protection, in every aspect of our economy.

Thank you, also, for considering the comments of a real world and small town mortgage broker who is in this field for the right reasons – helping consumers, educating buyers, and making a difference in my community.

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