From: "Mary Lynn Pinto" <bayshoremtg@redshift.com> on 04/02/2008 04:05:02 PM

Subject: Regulation Z

I am writing concerning the above referenced Board Rule.

I have been a licensed real estate agent for 24.5 years and originated home loans as both a direct lender and mortgage broker for 15 years. I am quite concerned about the new rule and it's potential negative affect to the consumer in obtaining their home loan. The proposed Fed Rule would put in place some useful consumer protections, but it also would impose significant burdens on mortgage brokers. In particular, the proposed rule would require brokers, <u>but no other mortgage originators</u>, to disclose the specific dollar amount which the broker earns including a yield spread premium. I am not specifically opposed to disclosure but feel that if there is value in have the disclosure, all originators should be required to disclose the same way. Also, the requirement that the disclosure be made <u>BEFORE</u> the consumer paid any fee to any person, AND before submitting an application. Unfortunately, in this volitile market, with appraisals frequently coming in below estimates, the consumers loan may be repriced through no fault of the consumer or the mortgage broker. The broker needs to maintain the ability to use yield spread premiums and adjust the loan to meet market conditions, which may change the final loan product from that which was originally applied for. This strict requirement will **ultimately hurt the consumer in having fewer products to chose from and the inflexibility to change the transaction, if needed, during the process.**

HUD already requires disclosure of yield spread premiums in both the GFE and HUD-1. However, the Fed believes additional disclosure is needed from brokers, but not other originators, to protect consumers because, the Fed claims, consumers believe that brokers are a "trusted advisor" who are bound to get the best possible deal for borrowers, but do not view other originators in the same way. The Fed has taken this position even though exhaustive studies of mortgage disclosures by the Federal Trade Commission, the government's principal consumer protection agency, in 2004 and 2007 show that 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 consumers.

I urge you to reconsider implementing this rule as in my opinion, it will have a negative affect on the consumer and create an unfair advantage for certain originators that provide the same services as a mortgage broker. One specific example I can provide is a loan that closed last month. When the borrower applied for the loan the were going to pay a 1 point loan fee. When the appraisal came in, not only could the client not finance the origination fee, but they also needed to use the yield spread premium in order to basically have the lender pay the closing costs. IF THE NEW REGULATION WAS IN EFFECT, the client would have been forced to stop the application with my company. Start the application over with a new company who would structure it as a no cost loan, pay new fees for appraisals and credit report all over again, and perhaps be forced to go with a lender who charged higher fees in the overall package. REMOVING THE FLEXIBILITY OF CHANGING THE PRDUCT/PROGRAM would have cost the clients thousands of dollars. In addition, if a new appraisal had to be ordered, and the value declined, the client might be facing a foreclosure now, where if they stayed with us we just changed the product type and program and closed the loan.

I can imagine if I was marketing to real estate agents to use my company as a direct lender, I would mention to the real estate agent that they would need to seriously reconsider referring a mortgage broker as one of the three lenders they typically recommend, as that broker may be limited at the last moment to change their clients loan to meet their needs. I think the real estate agent might stop recommending brokers in order to protect themselves from any liability. Is this fair to a mortgage broker, which is an entire group of professionals which assists matching the clients needs with the lender's needs? Some mortgage brokers simply become direct lenders through correspondent lending and are considered bankers. They will have a complete unfair advantage over mortgage brokers, along with many institutions that sell the loan through the secondary market. Are they really any different and why the regulation to just one aspect of the origination system?

I thank you the board of govenors of the Federal Reserve for consideration of my comments and ask that the Fed consider alternatives to the proposed regulation that applies to all originators, and encourages competition on price and service.

Sincerely,
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