From: "Scott Stingley" <sstingley@stonebrookmortgage.com> on 04/06/2008 10:15:02 PM

Subject: Regulation Z

Members of the Federal Reserve Board,

My name is Scott Stingley, and I am the Broker/Owner of Stonebrook Mortgage Corporation located in Boise, Idaho. We have been in operation since 2004 and our company is licensed to originate residential mortgages only in the State of Idaho. Stonebrook Mortgage currently employs 12 full time staff and funds approximately 250 home loans per year for homeowners throughout Idaho. From the beginning, we have taken an educative approach to the mortgage planning process. It is our goal at Stonebrook Mortgage to ensure that the consumer is educated in all facets of their mortgage and how it will help them to facilitate their financial future.

I applaud the efforts of the Federal Reserve Board to improve consumer protections related to mortgages and I support many of the proposed amendments to Regulation Z. However I believe there are some critical issues targeted specifically at mortgage broker compensation which will have a detrimental impact on the access to credit for homeowners. If implemented in its current form, I believe that the mortgage brokerage industry would be in danger of complete elimination as it will be too difficult for brokers to compete. This scenario would essentially exacerbate an already tenuous situation in regard to the credit markets and cause much more harm to the economy in general. Therefore I respectfully oppose the proposal to restrict mortgage broker compensation.

In my experience, consumers see little difference in where a mortgage originator may practice their trade. Whether it be a bank, a credit union, or a mortgage brokerage, most consumers believe all originators offer a single function—the ability to finance a home. The lines have become very blurred over the past few years as even the largest companies (Countrywide) allow their originators to broker loans in order to meet the client’s needs. In today’s world, there is essentially no differentiation between the products and services offered through any mortgage company. In addition, advertising and even naming conventions are so similar that the consumer cannot distinguish between entities that are mortgage bankers and those that are mortgage brokers. Therefore, I believe it imperative that if we are to implement new disclosure rules they need to apply to all mortgage originators. If protecting the consumer is the ultimate goal and the consumer sees little differentiation between the channels, then all origination channels should need to adhere to the new rules.

One particular disconcerting section of the proposed rule is the requirement whereby a mortgage broker must give a reasonably precise dollar estimate of fees charged in a mortgage transaction even before we have obtained application information from the consumer. There are literally dozens of aspects that will affect the total charges incurred by a consumer of which the broker has no control. These include the prospective borrower’s financial status, transaction details, credit history, type of mortgage sought, loan amount, occupancy type, total loan-to-value, etc. This proposal as written would be analogous to a medical doctor needing to quote precise fees to a patient prior to an examination. It is virtually impossible for the doctor to know what tests or treatments will be required until an examination is performed. Thus, what the proposed rule is asking of the broker community will again not increase competition but rather eliminate it all together. Most brokers will find this to be too onerous to implement and will cease to do residential mortgage transactions.

Another area of significant concern is the requirement in the proposed rule of a total fee disclosure by only the mortgage brokerage channel. As proposed, this rule would make it extremely difficult for the mortgage broker to compete. As I discussed previously, the consumer sees little difference between a mortgage broker, a credit union and a bank. An example may serve best for illustrating how challenging this will be for the mortgage broker to overcome. Let’s assume that Client A is shopping for a mortgage between a mortgage broker and a mortgage bank. According to the rule the mortgage broker must disclose all fees inclusive of yield spread premiums. If the loan were $250,000, the mortgage broker would most likely disclose total fees in the range of $5,000. The mortgage bank, on the other hand, need only to disclose their origination fee which would be approximately $2,500. In reality the mortgage bank is yielding the same per loan as the mortgage broker through their service release premium. However the disclosure to the consumer makes it looks as if the mortgage bank is completing the transaction at half the cost of the mortgage broker. I would see this as creating an unfair advantage for the mortgage banks that would ultimately lead to the elimination of the brokerage channel.

It should be noted that I am also the President of the Idaho Association of Mortgage Brokers and represent approximately 500 members of industry throughout the State. I serve on the State Department of Finance Mortgage Advisory Board of Directors and am also a committee member of the National Association of Mortgage Brokers Federal Regulatory Advisory Task Force. As a mortgage originator and as a mortgage broker, I adhere to the highest levels of professionalism, ethics and integrity. I demand the same of my employees. I was the first Certified Residential Mortgage Specialist in the State of Idaho. This national certification requires extensive knowledge of the mortgage origination industry and the laws which regulate industry. I believe very much in the services that a mortgage broker can provide to the consumer. Thus, I work tirelessly to raise the level of professionalism within our industry in order to protect and educate our consumers, legislators and regulators.

I believe that many of the issues we face in the mortgage industry should be addressed through more of a proactive approach. Their certainly were immoral players that abused the consumer over the past few years. However, instead of classifying all mortgage brokers as predatory in nature, I would believe it would be better long term protection for the consumer if we were to enable such protections as a mortgage origination commission, complete background checks, pre-license testing, and a base education standard for all originators. A proactive approach in my opinion would do much to address the consumer confidence of the industry as well as to raise the professional standards of the industry. The reactive approach being taken currently will have an unexpected negative consequence on the consumer and endanger thousands of more homeowners in the long term.

I would suggest that the Federal Reserve Board of Governors consider alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators. This would ultimately benefit the consumer by encouraging competition on price and service. I would very much like to thank the Board of Governors of the Federal Reserve for considering my comments on this extremely important amendment to Regulation Z.

Best,

Scott Stingley

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