

From: "DEAN GILLMORE" <deangillmore@msn.com> on 04/02/2008 06:55:03 PM

Subject: Regulation Z

Ladies and Gentlemen,

My name is Dean Gillmore, a mortgage broker at Cornerstone Mortgage Company in Missoula, MT.

The Federal Reserve Board's proposed amendments to Regulation Z go a long way in helping to protect consumers in the process of financing their homes. However, I am opposed to the restrictions placed on compensation of mortgage brokers included in the amendments.

Mortgage brokers provide a valuable consumer service, unique to our industry. Brokers are intermediaries between consumers and lenders. The unique value is that mortgage brokers serve both the consumer and the lender representing neither. By having the ability to search multiple sources of financing for the consumer, brokers are able to tailor the best solution to meet their individual financial needs.

Today, we compete with direct lenders that originate, package and resell their loans. Direct lenders do not offer the multiple sources of home financing that mortgage brokers can. Direct lenders do, however, resell the loans they originate and earn a yield spread premium, or as defined by the industry a service release premium.

From a consumer's aspect brokers and direct lenders are providing an identical service.

Mortgage brokers offer loans from multiple banks and direct lenders. At the same time these lenders compete for local business with mortgage brokers. They operate local "company stores" and compete in the same communities as mortgage brokers. At times they offer loans with different underwriting guidelines to mortgage brokers than are offered at their local outlets in the same community.

It has become difficult for consumers to distinguish between mortgage brokers and direct lenders due to similar names, similar signage and similar advertising.

It is imperative that disclosures apply equally to all mortgage originators, not just mortgage brokers. The consumer must have the ability to equally compare all offers of finance.

Origination fees and yield spread premiums charged to consumers provide the revenue necessary to operate a mortgage origination business, whether mortgage broker or direct lender. That revenue covers overhead first, including office space, equipment, supplies, utilities, health insurance and payroll. Yield spread premiums are paid to mortgage brokers for the wholesale delivery of loans. Insurance agents earn commissions similarly by delivering insurance policies to consumers. Commissions are paid to insurance agents for the wholesale delivery of policies.

Lenders are able to deliver home loans to mortgage brokers at a reduced cost, (Wholesale Basis), because their acquisition costs are less. They do not have to pay the broker's overhead. The broker's overhead is covered by yield spread premium and fees.

In reality, if some mortgage originators do not have to provide the same disclosure as

mortgage brokers, not only do they have an unfair advantage in the marketplace, but they have the ability to steer consumers away from brokers, even if the brokers offer more favorable loans.

Additionally, it is impossible to give a reasonably precise dollar estimate of fees on a transaction before an application is submitted. The borrower's financial status, transaction details, type of loan and loan amount are variables that contribute to what the final fees will be. The broker will not know the details and variables of the transaction until after the application has been delivered. Currently, Good Faith Estimates are required within (3) days of application.

The timing of the interest rate lock also has an impact on fees. Mortgage brokers do not know the exact yield spread premium until the day they lock the loan. Also, rate lock extensions fees are sometimes required at no fault of the broker.

Please consider alternatives to the proposed regulation that protects consumers in their dealings with all mortgage originators. Fair and equal competition on price and service will in itself protect consumers.

I would like to thank the Board of Governors of the Federal Reserve for considering these comments.

Respectfully,

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