

To: Board of Governors of the Federal Reserve System

Re: Proposed Rule Amending Regulation Z  
“Docket No. R-1305”

Dear Sirs,

I would like to comment as a loan officer in the field dealing with the consumer on a daily basis.

Recognizing that there have been bad actors in my field one must also consider that there are many good brokers that provide a valuable service to the consumer. To paint the picture that brokers are the primary culprits responsible for this debacle is at least unrealistic and in most cases false. (Bear Stearns comes to mind) The retail and wholesale banking industry operates on “Yield Spread Premiums”. This is what drives competition among the banks and allows brokers to shop for the consumer to get a competitive rate and terms for the borrower. Contrary to what seems to be the common perception the consumer has little knowledge of the industry but what even the most naïve borrower asks is what is your rate? This is what I perceive primarily drives the consumer in selecting a lender. To create an uneven playing field as you are proposing will not help the consumer but actually hinder their opportunity to obtain competitively priced financing.

My first comment would be that the consumer doesn't need another confusing disclosure particularly one that adds language they don't understand. To suggest that a broker disclose his income prior to an application without knowing anything about the consumers income or creditworthiness would be impossible to state with any accuracy at all and would invite the opportunity to “low ball” the estimate. Furthermore to exempt all other originators i.e. banks from this requirement are at the very least unfair but borders on restraint of trade.

There is a much simpler solution to the problem. I would suggest that the Federal Reserve System cap the broker compensation to a max compensation of 4% with a max “net” compensation of 3%. This would still allow brokers to assist borrowers with closing costs if needed and allow borrowers to receive competitive rates and terms. As mentioned above the final quoted rate will be the simplest way for the consumer to determine whom they want to do business with.

I suggest that the proposed licensing of “all” originators will go a long way in elevating some of the problems. I also suggest that you refer to the State of Ohio's Senate bill 185 as a model for disclosures required but should be required for all originators.

Thank you for allowing me to comment

Joe Wolfe Loan Officer Mayflower Home Loan