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Board of Governors of the
Federal Reserve System

R/E. Proposed Rule Amending Regulation Z
Docket No. R-1305

Ladies and Gentlemen:

I would like to thank the Board of Governors in advance for their consideration of these comments. Further, I thank the Board for their diligence in finding a solution to the financial situation in the Mortgage and Real Estate Markets. These are challenging times and we are all in agreement that a solution is required. However, we need to be diligent to find a fair and appropriate solution. I am sure you will agree that rushing to "band-aid" the problem is not acceptable.

Allow me to highlight a few key issues.

1. The Proposed rule would require mortgage broker to disclose a specific dollar amount which a broker would earn from the transaction, including Yield Spread Premium (YSP), is NOT FAIR if other mortgage originators are NOT held to the same Standards. HUD already requires disclosure of YSP in both the Good Faith Estimate (GFE) and HUD-1.
2. The Proposed Rule claims that additional disclosures would protect the consumers because consumers believe that a mortgage broker is a "Trusted Advisor" who is bound to get the best possible deal for borrowers, but they do not view other mortgage originators in the same way. IT WOULD BE MORE PRUDENT TO REQUIRE MORE DISCLOSURES FROM THE LESS TRUSTED ADVISORS.
3. Many of the studies completed by both HUD and the Federal Trade Commission (FTC) conclude that mortgage loans originated by mortgage brokers cost less than those loans originated by direct lenders (retail Shops). It stands the reason that the mortgage brokers are serving their customers more prudently than the Direct Lenders.
4. The Pennsylvania Department of Banking regulates the mortgage brokers in the Commonwealth. Mortgage brokers are held to very high standards. Yet, most banking institutions are exempt from regulations under the Federal Banking Charter. We have more than one regulatory body to govern and regulate the mortgage broker Business. Mortgage bankers are NOT REGULATED as such.

5. Under the current requirements, mortgage brokers disclose the Mortgage Broker Compensations on both the GFE and HUD-1/1A. Additionally, any potential YSP earned is disclosed as a range on the GFE and then as an actual dollar amount on the HUD-1/1A.
6. HOEPA limits the amount of YSP and broker compensations that can be earned. Regulation "Z" regulates high cost mortgage loans. Wholesale lenders do not underwrite or purchase high cost loans as defined by HOEPA. Thus, there is a max amount of YSP and mortgage broker compensation that can be earned. HOEPA high cost fees include not only mortgage broker fees. Certain fees paid to the mortgage lender and third parties are included in the HOEPA maximums.
7. It is very difficult to disclose the YSP as a dollar amount. As you are aware, the mortgage broker does not control the interest rates. It is the lenders that control the wholesale mortgage rates. When a consumer applies for a mortgage loan, the mortgage broker attempts to quote a borrower with the best possible interest rate available based the limited information provided. Much of the information provided by the borrower changes as the application process continues. Information provided by the borrower is not often the same as the information provided by trailing documentation such as: Employment Verification, Income Documentations, Assets Documentation, Appraisal, Title Commitments, etc. Thus, it is difficult to price quote with 100% certainty until the borrower's mortgage file is underwritten by the lender. YSP allows the mortgage broker to earn compensation when the borrower lacks the means to pay from available assets or limited equity.
8. A mortgage broker plays an important role as an intermediary between borrowers and lenders. Most often, borrowers can not secure a loan from their local bank for many reasons. A mortgage broker makes possible for many people to realize the "Dream of Homeownership".
9. Mortgage brokers open the mortgage market to more competition. Imagine for a moment that mortgage broker are absent from the mortgage market. Direct lenders and local bank would capitalize on this fact and charge the consumers more fees and higher interest rates. This will hurt the consumer by having less choices and increased prices.
10. Having certain disclosures such as RESPA and HOEPA is healthy. However, such disclosures must not be discriminatory in nature against one group. RESPA and HOEPA are in place to present a level playing field. **The Proposed Rule is discriminatory in nature against the mortgage broker.**
11. Direct lenders earn fees and premiums similar to YSP on the sale of the mortgage securities that are not disclosed to the borrower before, during or after settlement. Mortgage broker fees including YSP are disclosed prior to settlement.
12. Consumers should not need to distinguish among mortgage originators: Both government policies and the marketplace should be set up to permit consumers to get the best deal at the best price, regardless of whether they use a mortgage broker or a direct lender.
13. Consumers are largely unable to distinguish among wholesale mortgage lenders and retail direct lenders, which have similar names, similar signage, and rely on similar advertising. It is often that a borrower cannot obtain a mortgage loan from a lender's

retail shop. Whereas the same borrower can obtain a mortgage loan from the same lender through the wholesale channel and a mortgage broker.

14. The proposed FRB Rule is a potential conflict with State Laws.

Disclosures are important. The willingness of the Board of Governors to make disclosures an encouraging prospective for borrowers to shop among mortgage originators is highly commendable. Retail shop loan originators do not represent borrowers and do not necessarily offer borrowers the most favorable terms. Requiring mortgage brokers, but not direct lender originators, to make compensation disclosures enable the brokers' competitors to steer consumers away from brokers, even if the brokers offer more favorable loans. Requiring the mortgage brokers only to make compensation disclosures will inhibit competition, which will limit consumer choice, increase prices, and hurt borrowers.

I would urge the Board of Governors to consider alternatives to the proposed regulation which would protect consumers in their dealing with all mortgage originators, and encourage competition on price and service. I encourage the Board of Governors to be FAIR to all mortgage originators. IT IS A CONSTITUTIONAL RIGHT.

Finally, I thank the Board of Governors of the Federal Reserve for considering these comments. I remain confident they will consider a FAIR REGULATION to all mortgage originators whether mortgage brokers or direct lenders.