April 4, 2008

Board of Governors of the
Federal Reserve System

VIA E-MAIL TRANSMISSION
regs.comment@federalreserve.gov

RE: Recently Proposed Amendments to Regulation Z

Dear Board of Governors,

I am writing to you in order to express my opinion to the proposed amendments and enhancements to Reg Z. I am new to the mortgage brokerage industry; however, I have over 25 years experience in the lending industry as I served as a commercial and real estate loan officer for several major commercial banks in the southeastern region. I do feel that it is very important to protect the public from unfair lending practices and of course the challenge is to remain competitive and sensitive to the home ownership assistance and opportunities that my fellow citizens of this great country deserve. I fully endorse the following comments expressed by the owner and manager of my company submitted to you, as I do not feel I can express them any better. Therefore I relinquish my authorship to the following comments submitted by Mr. Tim Wilkes in a separate letter this same date:

"I would like to commend you on your efforts to improve Reg Z and further protect consumers. As a concerned mortgage lender who has the customer's best interest at heart, it is important to me that consumers are protected from predatory practices and fraudulent dealings, as well as provided safe loan products that allow them to enjoy home ownership.

However, I do have some serious concerns about some of the proposed amendments. I will attempt to explain in the following paragraphs.

Through the years as the mortgage broker industry developed, large mortgage banks and investors realized that this was a very favorable arrangement for everyone involved. Since they desired to limit or eliminate their high overhead out in the communities, they were willing to allow mortgage brokers to establish their business, originate loans and then broker or sell the loans to them. Some of the mortgage banks maintained retail offices, but most centralized their processing and underwriting departments to reduce their operating costs. This has worked very well during the years. For the most part, mortgage brokers operated efficiently and were able to provide a great service for consumers and it was profitable for the mortgage banks as well.

As more and more mortgage banks realized this was an efficient method of originating mortgage loans, they set up wholesale operations to purchase these loans. Other investors would purchase these loans as well, as long as they met certain criteria.

As all of this evolved, the mortgage brokers were providing the same service as mortgage banks. They would originate the loans at the same rates and closing costs as the mortgage banks, and sometimes even better! The mortgage broker's income is usually derived from either, or a combination of, origination fee, broker fee, or yield spread premium. Some times, the yield spread premium has to be used to cover some of the other closing costs for the customer. If not for the yield spread premium, the rate would be a little lower, but, the closing costs would be higher and usually, the customer simply does not have the money available to close.

There are three important facts about the income realized by mortgage brokers:

1) The interest rate, origination fee, broker fee and yield spread premium is driven or dictated by **tight** competition;
2) In general terms, mortgage brokers are charging the same rates and fees as most mortgage banks and in a lot of cases, **lower**!
3) Mortgage banks also realize the same revenue as mortgage brokers. Usually, what is referred to with mortgage brokers as yield spread premium, is referred to as service release premiums with mortgage banks.

The real point is that mortgage brokers render the same service as mortgage banks and the income realized is the same as mortgage banks. We are all selling to the same ultimate investors in the secondary market. And usually, we can even give a more favorable rate and costs outlook for the customer because we can operate leaner than a large mortgage bank. **Therefore, any new regulation should apply to all mortgage originators, regardless of whether they work for a mortgage bank or mortgage broker company**. There simply is no difference and it would be unfair and promote unfair competition to treat one differently than the other. To impose the proposed amendments on only mortgage brokers would probably drive most mortgage brokers out of business and, drive some customers to mortgage banks and this would definitely increase the costs of the consumer who we are attempting to protect.

Another very important fact about these proposals is that you should understand that in today's mortgage market climate, it would be virtually impossible to disclose to the customer what their rate and closing costs would be **before** certain information is obtained from the customer. We must simply be able to review their overall application, credit report and credit score(s), loan to value and debt to income ratios in order to quote them a rate and closing costs. This is due to adjustments that have been imposed recently by Fannie Mae and Freddie Mac and other investors who purchase loans from mortgage lenders. However, we are obligated to disclose the rate and closing costs within three days of application in the form of the present Good Faith Estimate and Truth-In-Lending disclosure. This gives us the opportunity to obtain the information that is required to apply the various adjustments mentioned above. Without this ability to review the information before we disclose the rate and closing costs would be suicide for us and not helpful to the consumer as well, as they would, in most cases, not receive a true picture of what they could expect at closing.

Therefore, we respectfully request that you attempt, as much as possible, to find other alternative methods of protecting the consumer, but would, at the same time, encourage fair competition on price and service. This is the only way to insure we are truly helping the consumer.

Thank you so much for your efforts and considering my comments. "

Sincerely,

William "Bo" Hyde
Loan Officer
Magnolia Mortgage Company