

4/4/08

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

Dear Members of the Federal Board of Governors:

I am celebrating my 21st year as a Mortgage Professional in the Commonwealth of Pennsylvania. I am a member of the National Association of Mortgage Brokers as well as the Pennsylvania Association of Mortgage Brokers. I have been an active member of the Montgomery County Partners for Home-Ownership since 1997 when – through a proclamation from the Department of Housing and Urban Development – we became an affiliate of the National Home Ownership Strategy. We are a National Partner in Home Ownership as part of a national effort to lift America's home ownership rate. I have held the position of Chairman of the Affordable Housing Committee and, in my 21 years of originating mortgage loans - have been a consistent top originator for my employers. I decided to start my own Mortgage Brokerage business five years ago in part – because I felt I could do better for the consumer by offering more products at lower rates than I could as an employee of a large lender. I feel qualified to comment on the proposed Amending of Regulation Z.

In Pennsylvania – mortgage brokers are regulated by the Dept of Banking and adhere to the Mortgage Bankers and Brokers and Consumer Equity Protection Act. In light of the recent housing troubles – specifically the problems created by sub-prime lending – I am in favor of legislation that will raise the level of professionalism and weed out those who are in the industry with the idea to 'get rich quick'. I am not a sub-prime lender and have had to tell consumers-on many occasions - that they are not qualified to obtain a mortgage. I would, however always take the time to explain why – and what they could do to change their ability to qualify. Too many times these same consumers went down the street only to be told they COULD obtain a mortgage, often by unscrupulous individuals who were out for a quick buck – regardless of the borrower's ability to repay. I've heard it said that "everyone has the right to own a home" – I don't think that is true. What I believe is that "everyone has the right to EARN a home". The housing problems we have today are caused by many things– but one of them is our society's feeling of entitlement. I believe that if the requirements to obtain a loan are clear, consistent and known by all – the results will be better performing loans. Those in society who don't qualify – we either rise to the level of qualifying – or not. Those that do not, should be given the educational opportunities to meet the qualifications – not given a loan they cannot afford.

I am in support of most of the Boards consumer protection goals but respectfully oppose the proposal to require an EXACT dollar amount – instead of a percentage range – as is present law - of the mortgage brokers' compensation be disclosed in writing to the borrower up front. I oppose this not because I change fees at closing (I don't) or because I don't disclose the approximate compensation and how I am compensated to the borrower (I do) I oppose this because, if you knew what I know about the mortgage origination process, you would understand that the proposal will raise the cost to the consumer while reducing the opportunities available to them. This would happen

because lenders would not be required the same disclosures as brokers. Because of this, lenders would 'steer' the consumer away from brokers – with the promise that they do not have the same costs (which is untrue- they just don't have to disclose them) and towards themselves even though they may have higher rates or inferior options. I have worked for 13 years as a Banker – bankers used to bad-mouth brokers. Now that I am a broker, I can tell you that I have no problem sleeping at night. I offer the products of competing lenders, with more flexibility and at lower rates. That is my competitive edge. In reality, the costs associated to obtain a loan, are dependent upon loan-to-value, credit score, type of property and income verification. In most cases this information is not available with the initial inquiry. If a borrower is self-employed an analysis of the tax return is needed to determine qualifying income. If the borrower has co-signed for another loan that may disqualify them without the presence of evidence that someone else is paying that loan. The best appraiser will take at least a day to produce the report. These facts impact qualifying ratios, credit scores and loan-to-value – all items impacting price. To say 'tell us your total cost up front' is easy for someone not familiar with the loan origination process.

In my time as an employee of a large lender – I learned the profit margin for the lender was 2% of the loan amount or more. One of the reasons I opened my own company was because I knew that margin was high and I could provide better rates by lowering the margin. I'd be happy to open my records to confirm my profit margin averages less than 1.5%. I'd challenge any lender to open their records for comparison. By operating at a lower margin I pass the savings on to the consumer – resulting in lower rates. I disclose my compensation range up front, in writing on the Good Faith Estimate as well as on the HUD1. The lenders do not do this same disclosure – ask yourself -why don't they?

I suggest the Fed speak to mortgage professionals such as me – who have real-life experience on how the industry works. Regrettably, some bad brokers AND lenders will always exist. The cure for the present problem is not more disclosure that will reduce competition and raise costs. I would ask the Board to consider alternatives that would both protect the consumer and encourage competition on price and service. In spite of what the media reports, mortgage brokers provide a valuable service in the lending industry – to add detrimental legislation to them will result in harm to the borrowing public.

Respectfully,
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