Wisconsin
Association of
Mortgage Brokers

TO: Board of Governors of the Federal Reserve System

FROM: Patrick Essie
Executive Director, Wisconsin Association of Mortgage Brokers

DATE: 03/25/08

RE: Docket No. R-1305

On behalf of the Wisconsin Association of Mortgage Brokers (WAMB), I would like to take this opportunity to comment on Docket No. R-1305, the Federal Reserve System's proposed rule amending regulation Z, or the Truth in Lending Act.

The Wisconsin Association of Mortgage Brokers represents over one thousand individually licensed loan originators and mortgage brokers throughout the state. The state of Wisconsin, through the Department of Financial Institutions, currently licenses and regulates over 500 mortgage broker companies and over 6,000 individually licensed loan originators. Wisconsin was the first state in the United States to individually license loan originators and one of the first states to require background checks, initial licensing examination and continuing education requirements for all state licensed loan originators.

After review of the proposed rule as written by the Federal Reserve System amending regulation Z, the Wisconsin Association of Mortgage Brokers commends the consumer protection goals of the rule change, but respectfully opposes the proposal in its restriction of compensation for mortgage brokers, the inequality of its application and the inability for re-disclosure throughout the loan process.

Mortgage broker compensation, including yield spread premiums already are disclosed on both the Good Faith Estimate and the HUD-1, even though there is no corresponding requirement for lenders to disclose compensation paid to their own sales staff. Yield spread premiums are much more than just compensation. They are used to pay certain costs to facilitate the loan transaction and are present in any mortgage origination distribution channel, regardless of whether a broker is involved or not.

Any mortgage lending disclosure should apply to all mortgage originators, not just brokers. Requiring brokers, but not other loan originators, to make compensation disclosures enable the brokers' competitors to steer consumers away from brokers, even if brokers offer more favorable loans.

Finally, the most disconcerting aspect of the proposed rule change as currently written, relates to the inability for both parties to agree to a possible change of the loan terms if they occur within the loan process. It is impossible to give a reasonably precise dollar

estimate of fees a broker will charge in a transaction even before an application is submitted because the broker does not yet know the prospective borrower's financial status, transaction details, type of product sought or amount of the loan, all of which may vary as the transaction progresses. With this said, I have included, along with our comments, a copy of the state of Wisconsin's mortgage broker agreement. This agreement is required, by state statute, for use by mortgage brokers when meeting with consumers relating to mortgage lending.

Page three (3), section four (4) of Wisconsin's mortgage broker agreement specifically allows the ability for the fees, terms, conditions and interest rate to be re-disclosed if agreed to by both parties within the process of the loan. Our association and its members highly recommend that this be a part of the Federal Reserve System's proposed rule change and would appreciate your consideration to amend the rule as currently written to accommodate this request.

In summary, on behalf of the Wisconsin Association of Mortgage Brokers I would again like to stress the importance of including a re-disclosure provision within the proposed rule change, as already allowed in the state of Wisconsin, as well as the necessity for any current and future disclosures to apply equally to all mortgage originators, not just mortgage brokers.

I appreciate your consideration of our comments and thank you for your time.

[INSTRUCTION – *Insert company name & logo*]
{Company Logo and Name}

MORTGAGE BROKER AGREEMENT

[INSTRUCTION – *Insert broker/banker name, address, telephone number and license number here.*]
{Name, Address, Telephone number, and license number of Broker/Banker}

Agreement

This agreement is entered into between the borrower (hereafter referred to as "me," "I," or "the borrower") and **[INSTRUCTION – *Insert company name*]** this _____ day of _____, 20__. The parties are entering into this agreement to satisfy the requirements of s. 224.79(1), Wis. Stats., and DFI-Bkg 44.01, Wis. Admin. Code. This form is required pursuant to s. 224.79(1), Wis. Stats., and must be used in conjunction with a federal good faith estimate form pursuant to the Real Estate Settlement Procedures Act of 1974 ("RESPA"), as amended; the Truth-In-Lending disclosures required pursuant to the federal Truth-In-Lending Act; and the state consumer disclosure statement required pursuant to s. 224.79(2), Wis. Stats.

I acknowledge that **[INSTRUCTION – *Insert company name*]** may not make mortgage loans or commitments on its own behalf. **[INSTRUCTION – *Insert company name*]** may make a commitment on behalf of the lender when **[INSTRUCTION – *Insert company name*]** has obtained a written commitment or lock in for the loan from the lender on behalf of the borrower for the loan. The commitment must be in the same form and substance as issued by the lender. **[INSTRUCTION – *Insert company name*]** cannot guarantee acceptance into any particular loan program or promise any specific loan terms or conditions.

I. TERMS AND CONDITIONS

This Agreement provides that **[INSTRUCTION – *Insert company name*]**, for a period of _____ days, will exercise its best efforts to negotiate and obtain a bona fide mortgage loan commitment on behalf of the borrower, based on the following terms (or better terms) and conditions:

Loan Type (check one) ____ VA ____ FHA ____ Conventional ___ Other

This loan will be a ____ First Mortgage ____ Second Mortgage ____ Other

This mortgage _____ Does ____ Does Not have a prepayment penalty

This mortgage _____ Does ____ Does Not have a balloon payment

This mortgage _____ Is ____ Is Not an "Interest Only" mortgage

This mortgage ____ May ____ May Not be subject to negative amortization

The mortgage ____ Is locked in for _____ days. ____ Is Not locked in

Principal Amount $_____ Interest Rate _____%

Fixed rate or variable rate _____ Term _____

Years of amortization _____

II. SERVICES TO BE PROVIDED BY MORTGAGE BROKERAGE BUSINESS

In consideration for **[INSTRUCTION – *Insert company name*]** earning its fee, the services to be provided by **[INSTRUCTION – *Insert company name*]** are as follows (check all that apply):

____ Arranging for a conditional mortgage loan commitment between Borrower and Lender.
____ Taking the mortgage loan application.
____ Assembling information.
____ Processing the mortgage loan file including verifying of information.
____ Preparing all paperwork and documentation necessary for a conditional mortgage loan approval.
____ Reviewing, analyzing and evaluating Borrower's financial statements, income and credit history.
____ Other: _____

_____

III. MORTGAGE BROKER FEE

I understand that, as compensation for its services, **[INSTRUCTION – *Insert company name*]** will be paid as checked below (check all that apply):

____ The lender will pay **[INSTRUCTION – *Insert company name*]** a fee of no greater than _____% of the loan amount or $_____. The compensation **[INSTRUCTION – *Insert company name*]** will receive from the lender for its services is included in the rate, points, fees and terms of the loan as quoted by the lender in its commitment. The maximum points paid, including premium pricing, rebates or bonuses by the lender to **[INSTRUCTION – *Insert company name*]**, shall not exceed _____ ( ) points.

____ The fee the lender will pay **[INSTRUCTION – *Insert company name*]** is not known at this time but will be disclosed to me at the time of lock-in or when the rate is set. The maximum points paid, including premium pricing, rebates or bonuses by the lender to **[INSTRUCTION – *Insert company name*]**, shall not exceed _____ ( ) points.

____ I will pay **[INSTRUCTION – *Insert company name*]**, from the loan proceeds, a fee of no greater than _____% of the loan amount or $_____. I authorize the lender's attorney or title company to collect this fee from me at closing.

____ I will pay **[INSTRUCTION – *Insert company name*]** directly, _____ upon my signed acceptance of a commitment _____ or at closing, a fee of no greater than _____% of the loan amount or $_____.

IV. LOAN APPLICATION/FEE DISCLOSURE

I understand that I am required to pay the following fees at application: **[INSTRUCTION – *Before the acceptance of a loan application fee or application, disclose the amount of any such fee, labeled to indicate the general purpose of the fee; whether all or any part of the application fee or related charges are refundable; the terms and conditions for a refund if all or any part of the fee or related charges are refundable; and whether the fee, terms and conditions (provided in section I) of the application, including the interest rate, will remain constant or are subject to change prior to or at closing*]**

____ Application Fee $ _____
____ Appraisal Fee* $ _____
____ Credit Report Fee* $ _____

The loan application fee is ____ not applicable ____ is applicable to your closing costs at the time of settlement and is ____ **not refundable** ____ refundable under the following conditions:

_____

_____

* If the appraisal and credit report have not been done, for any reason, the fees for these items will be refunded in full.

Fees, terms, conditions and interest rate ____ are ____ are not subject to change prior to or at closing.

This agreement does not contain an automatic renewal provision. Any extension or modification of this agreement shall be approved in writing by [INSTRUCTION – *Insert company name*] and the Borrower.

By signing below, I acknowledge receipt of a copy of this agreement and acknowledge I have read and understand the agreement.

Applicant: Do not sign this form if spaces are left blank.

Applicant _____ Date _____
(signature)

Applicant _____ Date _____
(signature)

Interviewer _____ Date _____
(signature)

Interviewer Name and title _____