MICA

MORTGAGE CORPORATION

April 3, 2008

To: Board of Governors of the Federal Reserve System

From: Jerry M. Payne, President MICA Mortgage Corp
40600 Van Dyke Ste 16, Sterling Heights, MI

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

I am the President of a small mortgage brokerage located just north of Detroit. My partners and I opened our business in June of 1991, our main customers were real estate agents who referred their clients to us for the purchase of a home. We supply a product and services that have to be of such a quality that the realtors refer future clients, and the borrowers refer friends and family to us. We do very little advertising so this referral process is the back bone of our business, and we wouldn't have been in business as long as we have if we did not give our customers rates and costs at or below that of the large lenders. Our record is impeccable, with zero complaints file against us to the state or better business bureau in our 17 year history.

I would like to express my support for the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but I must respectfully oppose the proposal to restrict compensation for mortgage brokers. Our company and other's like ours supply a valuable service as an intermediary between the borrowers and lenders by serving both parties, but representing neither.

Our company has been competing with direct lenders and banks for 17 years and in recent years the distinctions between brokers and lenders have been blurred because the lenders themselves typically package and resell loans they originate. Actually most consumers are unable to distinguish between brokers and lenders, which use similar names, similar signage and rely on similar advertising. Therefore I must insist that any disclosures apply equally to ALL mortgage originators, not just brokers.

Yield spread premiums are much more that just compensation to the broker. Of course they are used to pay overhead and payrolls but in many cases they are also used to defer some of the costs to the borrower. There have been many instances when a portion of the yield spread premium used to pay part of the borrowers' costs were the only thing that enabled a family with little savings to purchase a home. By requiring broker, but not other originators, to make compensation disclosures enable the brokers' competitors to steer consumers away from the broker, even though our costs and interest rate are more favorable.

In many instances a borrower will call or come in to get an estimate of what our rates and costs may be for their transaction. It would be impossible to give a reasonably precise dollar estimate of fees that would be charged on a transaction even before an application is submitted because we would not yet know the prospective borrower's financial status, transaction details, type of product sought, or amount of loan, all of which may vary as the transaction progresses.

There have been some unscrupulous brokers who have taken advantage of the public, but no more so than the greedy investment bankers who put out mortgage products that had foreclosure written on them before the first payment was made. Stated income and asset for a W2 wage earner was a ridiculous product, yet they where readily available and used. Blaming that on the broker is like saying that if a car company puts out a lemon of an automobile it is the fault of the dealership that sells it.

It would be my suggestion that the Fed consider alternatives to the proposed regulation which would protect the consumer in their dealings with all mortgage originators, and encourage competition on price and service.

I would like to thank the Board of Governors of the Federal Reserve for considering my comments.

Sincerely,

Jerry M. Payne
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