

From: "Curtis McNeill" <curtis@blueprintmtg.com> on 04/03/2008 12:30:09 PM

Subject: Regulation Z

Dear Board of Governors of the Federal Reserve System,

My name is Curtis McNeill I am the Broker and owner of Blueprint Mortgage company, and we are located in Cedar Park, TX one of the fastest growing suburbs in the nation.

I have been a mortgage originator for 6 years. I started Blueprint Mortgage one year ago, and am a small business owner with an assistant and a processor. I provide a service that makes a HUGE impact on peoples lives and enables me to provide a humble living for my 3 kids and beautiful wife. We don't have a luxurious home, nor fancy cars I just want to make an impact on my community, provide for my family and be an dad my kids can be proud of.

I support the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but respectfully oppose the proposal to restrict compensation for mortgage brokers.

The first 3.5 years of my career I worked for a Mortgage Bank, we were a Netbranch for a small bank out of Waco Texas and provided a great service at a great value. When I worked at the bank we could underwrite our own loans and deliver them to FNMA, or we could use some correspondent relationships for which we would receive a service release premium or we could act as a broker through our broker relationships. What most people don't realize, to include this board is that bankers get paid on the front end and the back end and act as brokers much of the time. There really is NO difference. The main difference is, I walked around selling someone else's brand and my customers experience was subject to my bosses ability to manage processing resources. Oh and when the entity that got the bright idea that Brokers had to disclose YSP on the HUD and Bankers did not, we felt as though we had a competitive advantage. For the last 2.5 years I have acted as a loan officer under a broker or a broker and have had to disclose YSP on every transaction, and I have never had it be an issue. My clients believe I deserve to be compensated for the value that I provide. There is no hidden agenda, I provide a service, for which I am compensated. Why anyone believes that a Banker should not have to disclose something different than a broker is beyond my comprehension. If you are making this proposal, then you simply do not understand this industry. I realize there are some huge challenges in today's mortgage industry, and I respect everyone's effort to help the consumers. But this proposed legislation does nothing at all to help consumers. All it will do, is cause brokers like me, to go find a local entity that has gone through the due diligence to set themselves up as a bank, and continue with business as usual. I will not be able to market my own brand for which I have spent thousands of dollars developing and growing, and will require me to charge more to the consumer to make the same money I am making today, and will ultimately cost the consumers more.

The thing that is important to understand, is that I am in independent third party to the transaction as a broker, this enables me to shop for the best rate, the lowest fees, the best turn times in underwriting, and also the most competitive products. I had similar flexibility when I

worked for the bank, but...I had to pay the bank more to broker, kind of their way of making sure I used their internal folks for most of my business, which cost the consumer more money.

Now that was a Netbranch situation, which is much of what mortgage Bankers are, so what you are proposing really does nothing to help consumers, but I applaud you attempting to do something.

But what I want you and everyone in America to realize is that, the problem with the mortgage industry has nothing to do with the bad guys who got in the business during the last few years, who cared more about profits than they did about consumers, and adding more paperwork, more confusing disclosures will not achieve your objective. The problem lies in the commoditization of the single largest financial decision in 99% of the American citizen's lives. A mortgage is a complicated process, and can have a HUGE impact on our society. If consumers are not educated, and originators are not required to be educated resources to their clients, then we have created a perfect storm. Restricting, or disclosing, or complicating how a broker get's paid is not going to amount to a hill of beans.

Additionally, what I want you to understand is the difference between what I do, and what a 1800 (bank employee) does. I am a consultant, I go through a complete goals analysis with my clients, I advise my clients on the proper mortgage instrument to enable them to achieve their objectives, I watch the traded mortgage back securities, I know with some accuracy when rates are on an upward trend or a downward trend. My business is built on referrals, so if I work with someone and they have a great experience they go out and tell others. I have a vested interest in making sure they are extremely happy throughout the process. I am living the American Dream and what the founders of this country wanted to see. The 1800 numbers do not care at all if Suzie homemaker is making the right decision or not, they are not educated and do not ask the necessary questions needed to provide a comprehensive assessment of the consumers needs, they don't care if they call back again, they will never receive a referral because they are paid a salary and if they do a bad job they might not have one, but if they do a great job no one will ever know, and no one will ever be able to refer them business.

So, if you agree that the commoditization of the mortgage industry is the cause of this problem, then why would your office or anyone think that taking away the small business owners ability to provide open market competitive services will help the mortgage industry. You are going the WRONG way. Focus on education, focus on consumer education requirements, and originator education requirements.

Don't focus on more paper and more bureaucracy.

Now for Yield Spread...as I stated above, all lenders, all originators have the ability to make a premium on the back end of the transaction, we brokers just have to show it on the HUD. Bankers make SRP or some other derivative. So the question is how did this premium come about? Well as I understand it, it came about because lenders wanted to provide additional products to serve customers needs. It was not to HIDE anything. Lenders needed to offset the risk of the creation of these new products so they said as an example: if you put less than 20% down then we will let you, but you will have to pay something for this additional risk to us. They wanted to keep the borrowers closing cost down so they said we will just pay to offset this

additional risk by increasing the rate and giving back a premium which got the loan price back to par. This is EXTREMELY important. I believe the folks reading this are consumers as well, maybe I can explain how this might work for you.

You are buying your first home, you like it fits your current situation, but you are pretty sure that you will be either moving out of that home in the next 2 years or moving because of your job. So if you are given the choice of either paying a higher rate for 2 years or being charged more at closing to offset the risk for the lender because they are putting less money down like in our earlier example, you would make this decision based on your time horizon. If you are only going to live there for 2 years, and you do the math a higher rate is a SMARTER financial decision, which will cost you less money over the 24 month period. If you take this option away from the consumer, you are costing consumers MONEY! It is smart to choose a higher rate based on the time horizon in many situations. So please put yourself in this situation, is the governments desire to help consumers by adding disclosures, or taking away premiums on the back end for brokers really helping anyone, or simply just making a bad situation worse. I believe in America and I believe in the freedom of choice, I believe freedom and open markets have been the bedrock of what makes this country great, don't take this away, don't take away this man's ability to achieve the American dream, don't take away consumers rights, and get the facts, understand truly how all originators are compensated, don't single out brokers because brokers are often the consumers best advocates.

And if I understand this statute correctly, you are think that I as an originator should be able to show the consumer what I am going to make on a deal before I even work on it?

Well I personally tell each and everyone of my clients my expected compensation. Problem is, that that is an estimate, and some times I will make an 1/8th less and sometimes an 1/8th more, not necessarily on purpose, but because once we have determined the borrowers needs, and have come up with a solution, on that day the lender with the best rates and the best fees and turn times is not paying the exact amount that I told them I was going to make, it is slightly higher and I cannot tell the lender to reduce their compensation to me so it is exactly what I said it was going to be. That would just simply cause more problems, more time more money to consumers. And again, if this was a consideration ALL lenders, bankers and brokers have the ability to make something on the backend so singling out brokers does not achieve the objective.

I want to thank you very much for taking the time to protect the American consumer, and considering my comments. I am refreshed that the board is looking out for me, I just think there is a Large disconnection between what is being considered as help, and the reality of your proposed actions.



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