

2650 NW 64th Street
Seattle, WA 98107
April 3, 1008

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Ms. Johnson:

My name is Charlotte Nichols and I am a licensed Loan Officer for Portia Financial Services in Bellevue Washington. I have lucky enough in my 26 year career in mortgage lending to have worked with brokers, lenders, and banks and would like to share my perspective with you.

Portia Financial has been in business for 14 years; I myself have been with the firm for 6 years. Our business is run with high integrity, complete honesty, and due diligence. Clients come to us by referral only at this time because we have such a great relationship with our past clients. We have been able to provide the most competitive rates and loan packages available in the market place, offering each client a loan tailored to their particular needs.

I would like to express my support for 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 services that mortgage brokers provide are as an intermediary between borrowers and lenders. The value the broker adds in the real estate transaction is by serving *both* parties but representing *neither*.

Mortgage Brokers must compete with direct lenders and banks. The distinction between brokers, lenders, and banks is very vague. Most lenders package and re-sell their loans and receive compensation for doing so. Consumers are largely unable to distinguish between brokers and lenders which have similar names, use similar signage, and rely on similar advertising.

Since it is the case that mortgage brokers, lenders, and banks all receive Yield Spread Premiums (YSP) from the end purchaser of the loan, I think it is highly unfair to single out the mortgage broker and make them do additional disclosures to the consumer regarding their compensation. This is nothing less than **discrimination**.

By working for a mortgage broker I have been able to offer lower interest rates than the banks and pay customer's closing costs with the YSP. I understand that banks and lenders can do the same thing but, again, why single out the mortgage broker? If it

becomes a law that mortgage brokers have to disclose their exact gross income to their clients then lenders and banks should have to do so as well.

In the real world, requiring brokers but not any other loan originators to make compensation disclosures will steer consumers away from brokers even if brokers offer more favorable loans. Consumers are likely to assume that lenders and banks are not receiving any YSP simply because it is not disclosed. This would undermine the rationale behind the Truth in Lending legislation which attempts to give the consumer a tool to judge which is the best offer available. Also, might I add that there isn't a business out there that is required to disclose their compensation to their buyer in any circumstance. I negotiated with a dealer to purchase a used car last month; I have no idea what the dealership's gross profit was. It is highly unfair to single out the mortgage broker and this will severely hurt our business.

Lastly, 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. The broker does not yet know the prospective borrower's financial status, transaction details, type of product sought, financial goals, or even the amount of loan, all of which may vary as the transaction progresses.

I hope you will consider my suggestion that the Federal Reserve consider alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators and encourage competition on price and service. Undoubtedly there will always be a few dishonest mortgage originators whether they work for a mortgage broker, a lender, or a bank. I think it would serve the consumer best to level the playing field, making **all** parties disclose in a similar manner.

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

Sincerely,

A handwritten signature in cursive script that reads "Charlotte Nichols".

Charlotte Nichols
WA Loan Officer license #510-LO-32467