From: Byron Gutwein <byrongutwein@gmail.com> on 04/03/2008 01:50:06 PM

Subject: Regulation Z

To Whom It May Concern:

I have been informed of several proposed changes to the Reg Z. One proposal suggests that after a dollar amount of broker income has been indicated to the borrower, this dollar amount cannot be changed. I would hope that there will be some provision for changing that dollar amount if the terms of the loan are changed by the borrower.

Our firm generally works for a 1.0% broker fee based on the loan amount. This is always stated as a dollar amount. Most often this is in the form of a yield spread premium as it favors the borrower's cash requirements to close. Should the loan amount changed based on the borrower raising or lowering their requirements, then the fee earned based on this 1.0% fee would either raise or lower.

As long as there is a provision for re-disclosing then I see no problem. With particular reference to the purchase market, housing selection changes and therefore changes in loan amounts can change. Without a provision for change, I could envision prospective borrowers indicating a much lower level of price range only to switch to higher levels with the hopes of locking in a much lower fee. As long as the initial percentage of loan fee to loan amount can be maintained, the system will remain fair to both borrowers and brokers.

Here's a thought! Why not take a look at the lenders offering 3 to 5 point limits to broker income. I still see this being offered. And it seems, the worse the loan characteristics, the higher the yield spread premium.

I am all in favor of being able to use yield spread premiums above 1.0% in favor of the client to absorb closing costs. But with the exception of small loan amounts, the excess yield spread premiums should not be offered up as a carrot to pad the broker's pockets.

Sincerely,

Byron Gutwein
Broker
Old Mission Mortgage, Inc.
3914 Murphy Canyon Rd., A-200
San Diego, CA 92123
(858) 495-1890
byron@sdloan.com