From: "Frank Rexford" <frankr@integratedmortgage.net> on 04/09/2008 02:39:39 PM

Subject: Regulation Z

To Whom It May Concern
I am a mortgage broker in Chapel Hill, North Carolina, and I am writing you to comment on the proposed rule amending Regulation Z. I understand that this rule is intended to further protect consumers, and while I support the concept, I strongly oppose this proposal to restrict mortgage broker compensation.

As a mortgage broker, I add value for both borrowers and lenders. My clients shop for their loans, and I am and I must be competitive to earn their business. And I pride myself on providing accurate Good Faith Estimates for my clients.

My clients consider a loan originator to be a loan originator, whether they work for a broker or a bank. Brokers are understood to have relationships with multiple lenders, and a bank is considered to be a single lender, but other than this, no distinction is apparent to my clients. The old expression “you don’t buy the bank, you buy the banker” could be modified to say “you don’t choose the bank, you choose the originator.”

All disclosure requirements should be the same for all mortgage originators, whether a broker or a bank. It does not make any sense to disclose differently to the same client depending because of being a broker vs. a bank. This is simply confusing and obfuscates the situation.

Yield Spread Premiums are more than compensation for me – they are an integral part of the way I price and place a loan for my clients. They are sometimes income, and sometimes used to offset closing costs. And when refinancing, I often charge my client no origination fee and no closing costs, paying for the costs and my profit entirely out of the yield spread premium. This enables my clients to begin saving immediately. While they could choose to pay these fees and get a lower rate, they would then have a pay back period that could range as long as 4 or 5 years to earn back the closing costs via the reduced rate. When I pay their closing costs, their savings are immediate.

In today’s world, the Mortgage Banker’s Association projects that the average life of a mortgage is from 3 to 5 years. In my opinion, refinancing makes the most sense to the borrower if they can benefit very soon after closing.

This new disclosure could cause a borrower to choose a higher rate from a loan with a bank because the lower rate with more DISCLOSED fees could make them think the loan was not a good choice. This is just plain wrong. For borrowers to make fair comparisons, they need to compare apples to apples. All regulations causing banks and brokers to disclose differently makes it impossible for borrowers to make accurate comparisons. However, if this regulation is intended to put brokers out of business, and funnel borrowers to banks, then you are on the right track.

I strive to give accurate estimates of fees, and I attend most of my closings and review the final HUD Settlement Statements closely to compare with my GFE, and I am happy to say that I am always very close in my estimates.

But it is impossible to be precise. The borrower’s financial status, the details of the transaction, type of product selected, or even amount of loan can and do change on a regular basis after application. And closings are often delayed, and there is a cost associated with extending the borrower’s rate lock. And in a market with declining rates, borrowers can choose to float their rate – making it impossible to comply with this regulation.

Please consider alternatives to the proposed regulation. There must be a way to protect consumers in their dealings with ALL mortgage originators, a way that will also foster competition on price and service.

Perhaps there should be a consistent National accreditation for all originators of residential mortgages across the country. I personally believe this is inevitable, and last year I became a charter member of the CMPS Institute

Thank you for considering my comments.

Frank Rexford

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