

**From:** "salvador-rivera" <salvador-rivera@sfsolutionsonline.com> on 04/08/2008 08:25:03 PM

**Subject:** Regulation Z

Dear Federal Reserve,

My name is Salvador B. Rivera, I am a new mortgage broker from Ojai, California in the County of Ventura. I have worked in the mortgage industry for 7+ years, until last year I had worked in the retail sector for two major banks as a loan officer. At the beginning of this year I opened my own mortgage brokerage office.

There were two major factors in my decision to venture out on my own. The first and foremost was the fact that as an employee of the bank I had to adhere to their current policies and procedures even when I felt it was not in the best interest of the consumer. Additionally, as an employee I was subject to the current public perception of the institution I worked for, even if that was a negative perception based on actions of other individuals which I personally had no relation with. The fact that none of the employees of a lender are required to be licensed in any way allows for the hiring of questionable employees with the main criteria for their advancement being their ability to sell mortgages with the terms presented by their employing lender, which in some cases were in the best interest of the institution NOT THE CONSUMER. I felt that a much better model was to focus on each client individually and in educating the consumer so that they can then make a much more informed decision. I completely agree with the current proposition of requiring licensing for mortgage professionals as well as additional disclosure requirements, however as I understand it the proposal currently would only apply to mortgage brokers and not employees working directly for a lender under the umbrella of a CFL license. My belief is that if this measure was to take effect it would only empower banks and lenders to act aggressively to eventually try to phase out the mortgage broker. The unfortunate part was the abuse from some brokers which seems to be the focus of the blame. However I can personally attest to fraudulent abuses by employees of banks, which in some cases were known by lower ranking managers. The idea was that it was ok as long as their auditors did not uncover the abuses and if they were uncovered the simple fix was to reprimand or in more severe cases dismiss the employee in question. The lender would then site a "rouge" employee as the cause and disclose the actions taken by corporate. Additionally, this would increase the leverage banks and lenders would have in price manipulation. As I am sure you are aware there is a wholesale and retail mortgage market, in theory this allows for more competitive pricing. However if the mortgage broker was to eventually be phase-out (which would be the ultimate result if preference was given to corporate banks and lenders) there would be less price competition in the market which would ultimately have a negative effect on the consumer.

The second major reason I decided to continue my career independantly of the bank was for personal reasons. As I began to study the intricacies of the mortgage market I began to see the spread in mortgage pricing between wholesale and retail. As I analyzed this further I came to the conclusion that It would be more profitable for me to originate loans through the wholesale channel while AT THE SAME TIME provide my clients with more competitive pricing than the lender was offering through their retail channel. This would be a WIN-WIN situation. One of the major components of wholesale mortgage pricing which allows for this price competition is the Yield Spread Premium (YSP). The restriction of the YSP would hinder the ability of a mortgage broker to compete with the institutional lender/bank. My concern is that I have a family to support and the current propositions seem to be aimed specifically at mortgage brokers which as I mentioned above would ultimately phase-out the mortgage broker. I have always seen the government as the protector of the "little guy", however the current proposals as they currently stand in my opinion would adversely affect the "little guy".

Finally, I would like to conclude by saying that I am very much in favor of stricter regulation, however regulation should be all inclusive (meaning all mortgage originators, across the board). I would expect that bank and lender lobbyists have been hard at work attempting to show that they or their employees had no fault in the current crisis on the origination level, however as I mentioned above some of their employees were also at fault. I agree with the recommendations provided by the CMPS Institute, an organization that I am currently a member of, voluntarily. Additionally I would recommend the focus be more on policing the industry as well as licensing for all originators with continuing education requirements rather than on disclosure as this can be more easily manipulated ( eg. APR).

I want to thank you in advance for your time, and look forward to your future recommendations to better the mortgage industry.

Respectfully,

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Broker/Owner  
Strategic Financial Solutions