From: "Mike Gilbert" <MGilbert@SeattleMortgage.com> on 04/08/2008 09:15:01 PM

Subject: Regulation Z

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First off I want to express my support for the consumer protection goals of the federal Reserves Board's proposed amendments to the Reg Z, but respectfully OPPOSE the proposal to restrict compensation for mortgage brokers. I believe that consumers should be protected from various questionable lender practices but on the other hand I don't think the Government needs to be involved in hand holding the consumer. The consumer should have some responsibility in taking care of their own financial responsibilities.

I currently work for a company that is both a mortgage banker/lender and a mortgage broker. I am allowed to shop/deliver my client's mortgage outside of my current employer. Currently over the past 12 months I have brokered over 90% of my loans instead of doing them in house through my own company. The main reason for this is that I am able to get my clients a better loan program (i.e.- lower interest rates and costs) when I broker the loan. Because of the current free market system I have different mortgage companies competing for my clients business. This competition help keep interest rates low and more competitive.

Regarding compensation, when I broker a loan, I currently disclose the YSP that I am earning on the Final HUD-1, but when I keep the loan in house and use my own company to fund the loan, I do not have to disclose the YSP. As a mortgage BANKER we still earn YSP internally from our own company. The reason for this is that my company funds the loan but then delivers the loan to a final loan services (i.e. – Wells Fargo, Countrywide). These final loan servicing companies are paying my company directly the YSP that a mortgage broker would receive and then internally we receive the pricing as YSP. So when I quote/price a loan for one of my clients internal I am doing the same thing as if I was brokering the loan, look at the internal YSP provided by my company and then quoting the loan according. The difference is that at closing NO YSP is disclosed. So if I want to hide/not disclose the revenue earned on a transaction I would keep everything in house and never broker loans. Currently the mortgage banks/lenders don't have to disclose what is being made on each transaction via YSP and this is truly NOT FAIR. Banks/lenders are making money when they are doing loans but do not have to disclose the revenue that is being generated. All I am asking is for a FAIR playing field and that the disclosure requirements apply equally to both brokers and bankers/lenders.

With regards to yield spread premiums, YSP is revenue but does not necessarily translate into compensation to the broker. For example, I facilitate a lot of NO CLOSING COST refinance loans. These loans are done to drop my client's current loans interest rate to a lower rate and have it cost them nothing. Out of the YSP, I pay for all the non recurring closing costs (i.e. – appraisal, title escrow, etc.). This is a huge benefit for my clients. As we all know interest rates go up and the go down. When people by homes the market will dictate what interest rate they will get and if rates happen to be high, they will be getting a higher rate. But with the drop in rates, I am able to get them into a lower interest/payment without it costing them anything to refinance. So for some clients it is a huge benefit. Clients should not have to pay money each time they want/need to refinance.

With regards to determine upfront precise rate/costs/fees/etc. charged for a particular transaction even before an application is submitted is impossible. When starting a transaction with a new client you do not have enough of the variables to determine with accuracy what the rate and fee structure will be. There are dozens of variable that need to be taken into consideration when determining the price/interest rate for any given loan transaction. For example, if a client's credit score is below a 640 score and you quoted them assuming a 740 credit score, this will have a significant impact on either the rate or fee that will be charged on the final loan paper work. It is impossible to know all the variables upfront when the initial disclosures are required to be delivered to the client.

The last thing I want to point out is that in the real world when a client is shopping around for a loan both the mortgage broker and banker want to get a copy of the good faith estimate from it competitor so they can make their quote come in less then the competition. If the upfront fee/YSP disclosure is required for mortgage brokers then the competing banks that don't need to disclose this information will use this disclosure to confuse/steer the consumer away broker even if the brokers offer is a more favorable loan for the consumer.

I would like to suggest that the Federal Reserve Board consider alternatives to the proposed regulations which would protect the consumer in their dealings with all mortgage originators (lenders and brokers). The proposed regulations with hurt the competition between mortgage bankers/lenders and mortgage brokers.

Bottom line is that less competition means higher interest rates/costs for the consumer.

I want to thank the Board of governors of the Federal Reserve for considering my comments.