From: "Paul Lebowitz" <paullebowitz@westportmortgage.com> on 04/08/2008 05:50:02 PM

Subject: Regulation Z

To the Board of Governors of the Federal Reserve System;

As a small business owner of a Mortgage Brokerage company in the great state of Connecticut, I'd like to express my opposition to any proposal that restricts compensation to mortgage brokers.

I would fully support any industry wide attempt to implement fair and balanced rules that protect the home buying consumer. As long as those rules effect all parties in the industry, not just Mortgage Brokers. The recent mortgage crisis has exposed some serious flaws in the business of helping the American public obtain their dream of home ownership. Addressing these flaws through new regulations is a worthy goal.

As a Mortgage Broker, I would welcome any type of new or revised disclosure which clearly helps the public to understand this complex transaction. In my personal experience, I have found that the existing disclosures fall far short of explaining all the many details of buying a home.

The TIL and GFE disclosures are two examples of paperwork that has baffled thousands of borrowers over the years. It never fails that as soon as we send out the "three day docs", we will get a call from the borrower asking why on the Truth In Lending Disclosure, the Annual Percentage Rate is higher than the mortgage rate they wanted.

Or, when a borrower gets a Good Faith Estimate, they will call up and ask how come Westport Mortgage is charging them for title insurance or an attorney fee. Over the years I have become very adept at explaining that the various disclosures' intent was to estimate their payments over time, and to estimate fees charges by other people in the transaction.

To paraphrase clothier Sy Sims "We believe that an educated borrower is our best customer." We constantly prove our worth to our customers thru the value of the service we provide. In the end, our borrowers thank us for being the only one that helped them understand the minute details of buying a home.

We follow the CT Department of Banking rules which demand we disclose how much we make and who is paying us. What we earn on a loan is shown as a dollar range in the initial GFE and further discussed in the Mortgage Broker Fee Disclosure. It is also disclosed in the final paperwork as an exact dollar amount paid to us.

In this industry, no two borrowers are the same. When we first speak to the borrower, we don't know what loan they will qualify for. We spend a lot of time discussing their personal situation, only then can we make a professional loan recommendation. To prohibit Mortgage Brokers from receiving compensation unless the specific dollar amount was agreed upon before the application was submitted by the borrower is not a practical business practice. It will only serve to confuse the borrower who is trying to compare competing offers to lend. We would end up with three paragraphs of micro type telling the borrower all the reasons why the specific dollar amount we agreed upon might not apply to them.

In addition, if the current disclosures do need revising and more disclosures are needed, then these new rules should apply to all the players in the industry. It would be unfair to single out just the Mortgage Broker. Mortgage Bankers currently do not have to disclose to the borrower the compensation they receive after the loan closes. The payments they receive as "service release premium" are no different than the "yield spread premium" we receive as Mortgage Brokers. The borrower does not understand nor do they care about the difference between a Broker and a Banker. They just want a competitive rate, good service and a smooth closing. To prohibit Mortgage Brokers from receiving compensation unless the specific dollar amount was agreed upon before the application was submitted by the borrower would allow the Banker an unfair disclosure difference. It would not permit the borrower to adequately compare competing loan offers. It would only serve to confuse the borrower further.

Many regulators and lawmakers have tried to make a case for banning yield spread premium altogether. I submit that this will not be in the best interest of the borrower. As a small business owner and a Mortgage Broker, I only get paid when the borrower has a successful closed loan transaction. That means I must be an expert in my industry. I must be respected for my command of the trade and be known as an honest practitioner in my local market.

Westport Mortgage will receive YSP from a lender when the loan closes. In return the lender gets a fully processed file; the income, assets, credit and debt have all been checked and verified. The property has been appraised, the purchase contract and insurance are in order, the flood cert and condo questionnaire have been executed.

I will then use the YSP to pay my company's overhead. The rent, heat and light, and the salary of those who work for me. What is left is called profit. It would be un-American to say we are not entitled to profit from our work. This is the same as every other business models. If you were to get rid of the profit, then you would be getting rid of the Mortgage Broker.

That will lead to a less competitive mortgage market place. The retail Bank model would be to open branches on every main street in America to try an capture the local markets we now serve. That will create more expenses and overhead which they would pass on to the consumer in the form of more fees and higher rates. In other words, it would have the exact opposite of your intent to helping the consumer. The Mortgage Broker business model represents an efficient way for millions of Americans to access local lending expertise and competitive rates.

I can suggest some changes that may make a difference in the borrowers understanding of the total costs to getting a loan. One suggestion would be to meld the current "HUD 1 Guide to Closing Costs" with the current Good Faith Estimate. Group the fees and costs according to who is charging them and then follow each of the line item costs and fees immediately with a "simple English" explanation of usual and customary costs the borrower might encounter. Another suggestion could be to require the borrower sign a disclosure acknowledging the Mortgage Broker's fee ***after the loan is locked*** , and with any subsequent change to the loan program that would affect the Mortgage Broker's fee. I have no problem disclosing what the lender will pay me to my borrowers...once I know what that sum is!

Thank you for allowing my opinion to be heard on this important issue. The future of my company and many other small business like mine should be considered in whatever changes you make.

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