From: "Larry Benton" <lbenton@1stmetro.net> on 04/07/2008 11:45:08 AM

Subject: Regulation Z

Proposed Rule Amending Regulation Z (Truth in Lending and HOEPA)

May I first comment that as a member of the **National Association of Responsible Loan Originators (NARLO), National Association of Mortgage Brokers (NAMB),** and a **Certified Senior Advisor (CSA),** I am a strong supporter of professional and ethical conduct by ALL in the mortgage lending industry and strongly adhere to the Code of Ethics of the previously noted organizations. Hence, I support for the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but respectfully oppose the proposal to restrict compensation for mortgage brokers for the following reasons:

- The services that mortgage brokers provide as an intermediary between borrowers and lenders, and the value the broker adds in the real estate transaction by serving BOTH parties, but representing NEITHER.
- Mortgage brokers must compete with direct lenders, who have a different set(s) of requirement(s) for doing the same process... providing the consumer with competitively priced products that meet their current financial needs. However, the distinctions between brokers and lenders have blurred in recent years as lenders themselves typically package and resell loans they originate.
- In today's mortgage marketplace, consumers are largely unable to distinguish between brokers and lenders, which have similar names, use similar signage, and rely on similar advertising. However, direct lenders have different and looser disclosure requirements and are held to less scrutiny under RESPA and HUD.
- Yield Spread Premiums paid to brokers by lenders are much more than just compensation; they can be used as rebates, payments for Lender Paid MI, payment of buydown premiums, and are used to pay certain costs and facilitate the loan transaction to the benefit of the consumer.
- It has been my experience for over 20 years in the real world of the lending industry that requiring brokers, but not other loan originators, to make compensation disclosures enable the brokers' competitors to steer consumers away from brokers, even if brokers offer more favorable loans or loan terms.
- In today's lender ever-increasing dependence on **Risk-Based Pricing** (even in the FHA lending arena), it is virtually impossible to give the prospective consumer applicant a reasonably precise dollar estimate of fees a broker will charge in a transaction before an application is submitted simply because the broker does not yet know the prospective borrower's financial status, transaction details, type of product sought, or amount of loan, all of which may have an effect on loan costs, and may vary as the transaction progresses.
- These proposed changes in regulations would, in effect, work in detriment of the consumer; a prospective mortgage applicant would either be given incomplete of misleading information... and in this case, if compared to the medical industry, *prescription without diagnosis is malpractice*.

I strongly urge you to consider strongly the long-term effects R-1305 will have on the mortgage industry, and how it will effectively limit competition, remove choices from the consumer, while increasing costs to those seeking mortgage loans. There is a reason (many, I would think) why over 70% of mortgage loans are placed through the assistance and guidance of skilled and ethical mortgage brokers; in one word, it's CHOICE, spelled "COMPETITION on a level playing field".

I would suggest that the Board consider alternatives to the proposed regulation which would protect consumers in their dealings with **all** mortgage originators, and encourage competition on loan alternatives, terms, price, and service.

I sincerely thank all the members of the Federal Reserve Board of Governors for the opportunity to comment on Docket Number R-1035.
Respectfully yours

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