From: A Better Mortgage Co <abmco@sbcglobal.net> on 04/03/2008 10:55:03 PM

Subject: Regulation Z

Hello-
My name is Anthony Kazmerchek from Oak Creek, WI. I have been the owner of a mortgage company since 1998, and employed in the mortgage profession since 1990. First of all I would like to thank the Board of Governors of the Federal Reserve for considering my comments.

Over all of my 18 year career in the mortgage profession, I have always acted using the highest ethics in all of my daily practices, keeping the consumer, my customer, as informed and educated about all of the loan choices available to them and holding everything in their interests to the highest standards. My company NEVER solicited ARMS especially Pay Option ARMS that are most likely a major problem in the current market situation. Our goal has always been to treat the customer right, giving them the a lower rate than a bank would offer for their situation. Our niche in this competitive mortgage market is to offer our customers interest rates and closing costs that are lower than they could obtain at a bank. This honest philosophy has amounted to an almost entire referral base; where our customers are happy with their past experience and in many cases come back and send their friends and relatives our way. We rarely advertised, including using telemarketing companies. We rely on our reputation and word of mouth, and for the entire time we have been in business we have not had a complaint, and maintain a spotless record with the Better Business Bureau. Being located in Wisconsin, we have to be licensed, with renewals every other year while meeting continuing education requirements. We have standard mortgage broker fee disclosures that are set as a standard from the Wisconsin Department of Financial Institutions. I believe that Wisconsin could serve as a great model for the rest of the country!

That being said, I do support the consumer protections with Regulation Z but I respectfully oppose the proposal to restrict broker compensation for mortgage brokers. There is no other industry that is already as regulated that has so many forms already that need to be disclosed to borrowers immediately (in the 1st 3 days just to begin the application process) and then sign full documents at a closing, while given three days (primary residence) to review loan documents and have a chance to cancel if they wanted to. For years and years we have seen oil companies reaping enormous profits while the consumer is paying three times what they have paid 10 years ago. There are no restrictions to what these oil companies are making.

Having mortgage brokers in this industry have made interest rates more competitive and therefor have BENEFITED the borrower. Right now banks are able to package and resell mortgage loans and make various amounts of money, while NOT having to disclose this to the borrower. The lines have been blurred between what a mortgage broker can do, and what banks can do. It is an unfair practice to prohibit mortgage brokers from making a fair living with yield spread premium, while turning the other way when it comes to the enormous amounts that banks themselves make on mortgage loans. It is unrealistic to disclose in exact dollar amounts what a mortgage broker will make on the transaction BEFORE the application is taken. For example, today a typical lender than we deal with may have offered 6% on a 30 year loan with a yield

spread premium of (0.9) before any numerous hits that FANNIE MAE and FREDDIE MAC have recently imposed. On a $100,000 loan, the mortgage broker compensation would *start* at $900. If the borrower happens to have a credit score of 680, which in normal terms would be a good score, there would be an additional hit to the yield spread premium of .50 if that borrower needed 80% loan to value, which obviously means they have 20% equity in the home. Our compensation then drops to .40, or only $400. If the appraised value came in less than the borrower stated upon the loan application, and the actual loan to value goes to 85%, then the hit increases to .85, making our compensation only .05, or $50! There have been so many hits added recently, that it is harder to give customers attractive interest rates, which are needed to get the economy out of a severe recession! Now in this same example, should the borrower change their mind and ask for some cash out of the loan transaction, then FANNIE MAE and FREDDIE MAC also impose an additional hit of .75 up to 80% loan to value, and 1.5% over 80% loan to value. So that same example/customer would have a negative yield spread, or cost of .35 under 80% loan to value, and a cost of 1.45% if over 80% loan to value. This means that there would be a COST of $1,450 for this example to have the rate at 6% today. As you can see, there are many variables, especially when it comes to the appraised value and different circumstances that may come up after the loan application. The consumer often changes their mind on the loan amount, and sometimes changes the term that they decide to go with, and yield spreads on different terms rarely are exact from a different term. We also can proceed to relock a borrower with a different lender if the interest rates drop during the application process. This means that the borrower benefits with a lower interest rate before closing so they do no have to refinance again and pay the banks additional underwriting fees, etc. If we were to change the program or lower the interest rate, our compensation would certainly not be the same as it was on the day of application.

In all of these above examples, it is my understanding that only mortgage brokers would have to disclose this information to an exact dollar amount, where banks and their loan originators would be free to do business as usual making much more money behind the scenes on borrowers that end up paying much higher rates through banks. They can sell the same loan over and over in the secondary market without having to disclose this to the borrower. There is a reason that competitive and honest brokers have been able to expand the share of the overall mortgage market and drive interests rate lower for the borrower. It is not equitable to require *only* mortgage brokers from disclosing income to an exact amount, and not applying the same unrealistic standards to banks! A much better recommendation would be to **set a range of compensation disclosed to borrowers**, which I have always done. This already goes above and beyond what banks do. Any new legislation should not apply exclusively to mortgage brokers, but also to banks as well!

Mortgage brokers can also often offset the overall closing costs to the borrower by paying for fees from yield spread premium. So yield spread does not just go into the pocket of mortgage brokers, but also can go to help the borrower!

Standards have already tightened beyond anything that I have seen over my nearly 20 years in the industry. Mortgage rates today based on where the treasury yields are should be MUCH LOWER than what they are today. There is a much bigger spread that needs to be looked at closely so that borrowers can reap the benefits of refinancing now to a lower rate to stem this

enormous loss of disposable income which is leading to so many foreclosures. It's easy to blame subprime loans for the woes that face the market today, but it is a much more widespread problem that affects many people that have normal mortgages as well. There are no more "subprime" loans or lenders, and there aren't programs for even good credit consumers to get a loan at 100% loan to value, unless they may happen to be a veteran. If the government can do anything to intervene, it should be to assist in bringing the mortgage rates down to help consumers; many of which are living paycheck to paycheck just trying to scrape by due to the extreme cost of living, including the ridiculous gas prices, extreme health care problem, etc. Mortgage brokers are making service and price much more competitive for the consumer than if there were only banks in business. If this legislation is enacted as proposed, it will ultimately be the consumer that loses in the end! Not to mention the enormous amount of mortgage brokers that would be out of business, adding to the amount of foreclosures on the market already.

The bottom line is **any legislation that is enacted needs to apply to Banks and their loan originators** and not just mortgage brokers! I'm sure banks with their deep pockets would object heavily if they were set to the same standards. Please consider the consumer and the benefit that a mortgage broker can offer to that consumer.

Thank you again for reading my comments, and I hope that any new legislation can be adjusted to protect the borrower with equitable standards that apply to banks as well.

Anthony Kazmerchek
A BETTER MORTGAGE COMPANY
4379 S. Howell Avenue, Suite 22
Milwaukee, WI 53207
414-486-7929 Phone
414-486-7930 FAX