

**From:** "E. Coy Paeltz" <coy@neighborhoodmortgageservices.com> on 04/08/2008 11:25:04 AM

**Subject:** Regulation Z

Dear Board of Governors ,

My name is Earl Paeltz and I am the owner of Neighborhood Mortgage Services in Cincinnati, Ohio. I am writing to you today to express my support for the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z but oppose your proposal to restrict compensation for mortgage brokers.

Mortgage brokers provide a great service by helping match lenders and consumers. Currently mortgage brokers have to compete with banks and direct lenders. If we do not provide a better overall package or superior services our clients will go directly to them. They have more name recognition and marketing dollars but many consumers who do their homework and search for the best deal often find that a mortgage broker can provide them with the best overall deal. On several occasions my clients have asked why I have to disclose the yield spread that I am making. I told them that the law requires me to. They commented that they did not care how much I was making because to them it was all about payment, interest rate, and closing costs and not how much I was making for putting the deal together. Sometimes my clients are also amazed at finding out that the lender that I matched them up with is the same lender that they already called for a comparison but my terms were more favorable and wonder how I did it.

Yield spread premium is not only a tool for broker compensation but is also used to lower the closing costs for the consumer. There have been many instances where I have used part of this premium to pay title fees and appraisals for the consumer. Many banks in my area do not offer this solution, my clients are very grateful for lowering their costs if they know they will not be in the area long enough to recover their closing costs by taking a lower rate.

By asking for mortgage brokers to tell a client up front (before an application) how much they will be making is almost impossible. Something may pop up on their credit that they did not know about or their income / assets may not qualify them for all programs. Other originators are not required to disclose this and many times the products that I offer are more competitive, meaning that their profits are probably much higher than mine.

There should be an alternative way to put all originators on an even playing field. By putting in place some of your proposals it would greatly benefit every lender besides mortgage brokers. These measures would be discouraging competition which would be bad for consumers. Even though mortgage brokers have taken a bad rap in the press lately remember that they are not the ones making the rules and creating the guidelines.

In closing I would like to thank you for taking the time to read my comments and I would hope that any rules that you put in place do not eliminate competition in the market place. Competition drives lower prices and can only benefit the consumer.

**E. Coy Paeltz**  
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