HOUSING POLICY COUNCIL
THE FINANCIAL SERVICES ROUNDTABLE

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Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., N.W.
Washington, D.C. 20219
Attn: Docket No. R-1305

Re: Request for comments on Docket no. R-1305

Ladies and Gentlemen:

The Housing Policy Council ("HPC")[1] appreciates the opportunity to comment on the proposal to amend Regulation Z to curb abusive lending practices in the home mortgage market in a way that preserves incentives for responsible lenders to make mortgage credit available to consumers.

It is essential that the Board adopt regulations which strike an appropriate balance, particularly at a time when the housing and mortgage markets are experiencing difficulty. The regulations must improve protections against abusive practices while not diminishing the supply of credit to qualified customers with less than perfect credit. Recognizing that implementation of many of the proposals will be time-consuming for lenders, we urge the Board to provide sufficient time for all parties to implement the final regulations.

We believe the proposed regulations generally have the potential to strike an appropriate balance and if adopted will help strengthen the framework in which mortgage lending takes place. Nevertheless, we have serious difficulty with some details of the proposals and suggest some specific changes that we believe will make the proposed regulations more practicable and effective. We urge quick action by the Board to finalize the proposal.

Ensuring mortgage lending standards that protect consumers and enable lenders to offer mortgage credit efficiently requires a comprehensive national approach. A uniform national approach should provide for rational and simple disclosures, uniform standards across jurisdictions

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[1] The Housing Policy Council of The Financial Services Roundtable is a trade association which represents twenty-three of the leading national mortgage finance companies. HPC members originate service and insure mortgages. We estimate that HPC companies originate over sixty-five percent of mortgages for American consumers. The Financial Services Roundtable and Housing Policy Council believe the competitive marketplace should largely govern the delivery of products and services, and regulation should provide safety and soundness, and consumer protections. Uniform national standards are critical for the efficient and effective delivery of products and services.

and a level playing field among competitors. The Board can take additional steps to accomplish these goals. We urge the Board to work with HUD to create a rational disclosure program that combines the TILA and RESPA disclosure requirements as well as a new Mortgage Terms and Costs disclosure instead of the early TILA disclosures. In addition, the Board should consider the impact that inconsistent state disclosures will have on borrowers and lenders and use its authority to remedy inconsistent requirements in order to maximize uniform disclosures for all lenders to provide information to consumers.

Recommendations

1. Threshold

The proposed threshold for higher priced loans could bring a significant number of Alt-A and prime loans originated in recent months within the coverage of the proposal. Since we do not believe that this is the intent of the Board, nor do we think it should be the intent, we would encourage the Board to abandon the APR trigger suggested and adopt others that would more appropriately cover those loans for which the regulation has been created – namely, subprime loans.

To be more specific, we believe that the movement of Treasury securities often fails to accord with the movement of mortgage rates, and will produce unintended coverage of Alt-A and prime loans randomly in the future.

We would suggest that the use of an index that more closely correlates with the mortgage market is more logical and will produce fewer unintended consequences. A rate which will be insulated from some movements in the private sector that are influenced by non-mortgage market activity will be preferable and we urge the Board to consider suggestions for such an approach. The goal for the index chosen is to cover subprime loans without impacting credit availability to prime and Alt-A borrowers.

If a Treasury rate index is used, however, then we believe that the spread should be increased substantially. We do not believe that spreads of 3% and 5% are sufficient unless the desire is to capture a significant amount of prime loans. We would urge that the spreads be at least 4% and 6%, and would strongly recommend that the Board consider even greater or different spreads at this time, with an understanding that they would be changed as the rates generally change. This would make it less likely that prime loans would be covered by the regulation and would permit the market to operate with respect to those loans. Not covering them by this regulation, of course, does not mean that they are unregulated, or will create major problems for the economy in the future. They are severely regulated by competition so much so that they resemble commodities, and in addition remain subject to all of the other relevant provisions of Reg Z, RESPA, and a variety of other statutes and regulations. We also believe it is inappropriate to use different Treasury securities based on the length of any initial fixed-rate period in cases where the loan is an adjustable rate loan. We ask the Board to work to insure that the index chosen does not inadvertently result in a higher proportion of prime ARMs being covered by the higher-priced loan definition than of prime fixed rate mortgages.

The Board will be receiving additional recommendations on appropriate spreads from other lender trade associations and we ask the Board to seriously consider that work on alternative methods for determining appropriate spreads.

We do not believe that it is either necessary or desirable to create a separate fee trigger. It is unlikely that competition will permit lenders to game the system in a way that would necessitate the costly implementation of yet another factor that would have to be accounted for by lenders.

Finally, we would urge the Board to consider using the same triggers for HMDA reporting as is used in this regulation. If lenders are required to use two thresholds, with concomitant duplication of systems maintenance, the costs and chances for errors multiply. Use of one threshold, on the other hand, would not be inconsistent with the concept of segregating higher cost loans for differential treatment, and would reduce compliance difficulties. We appreciate that this might not be possible in this regulation, but would urge the Board to consider modifying the HMDA reporting requirements in the near future to make the two thresholds identical.

2. Damages and Remedies.

The Board has chosen to use 15 U.S.C. 1639(l) (2) as its authority to make changes in 12 CFR Part 226.35 and 226.36 and corresponding revisions in existing 226.32. It has, on the other hand, used its authority in 15 U.S.C. 1604(a) to prescribe other regulations in the proposal. We strongly urge the Board to use sec. 1604(a) as its authority for most of the proposals.

The scope of section 1604(a) is sufficiently sweeping to serve as the authority for any of the changes in the Board's proposal. As important, the penalties for violations of 1604(a), while severe, are not as unduly draconian as the violations of section 1639(l)(2). While even in the normal economic environment, use of section 1604(a) would be the wisest choice of sections to amend, in the difficult environment in which the industry is now operating; care must be taken to avoid imposing even more of a chill on lending markets than now exists. That might happen if section 1639(l)(2) is used as the source for the regulations. This is particularly true when, as in this case, the Board has an effective tool in section 1604(a) which will not cause lenders to back away from lending for fear of suffering severe litigation losses or frivolous lawsuits.

One reasonable option the Board could take would be to utilize section 1604(a) as the language of the statute serving generally as the source of authority for the regulations, but use section 1639(l)(2) for those cases in which the activity is either unfair or deceptive. While there are different ways to separate the actions giving rise to differing liabilities, one way would be to include within section 1639(l)(2) liability those activities in which (a) a consumer suffers an injury of the type and due to the circumstances that the Board's regulation was meant to avoid, the consumer could not reasonably have avoided the injury, and the consumer did not receive countervailing benefits that outweigh the injury; or (b) the activity misleads the consumer, the consumer's interpretation of the activity which misleads it was reasonable, and the activity affected the consumer's decision regarding the loan.

As the Board has said in earlier guidance, whether an act or practice is unfair or deceptive will in each instance depend upon a careful analysis of the facts and circumstances. Similarly, 15 U.S.C. 1640 permits creditors to show they are not liable for enhanced damages if the damages in the specific case are not material.

Consistent with those directions, we believe that the regulations should state that liability must be determined by analyzing the facts in each specific case, and that enhanced damages only be available if the analysis of those facts shows the damage to be material. If the regulations create a risk of liability to the lenders disproportionate to the damage to consumers, it will have a chilling effect on lending.

Specifying in the regulation when a violation is material should not lessen compliance. The burden of proof to show that the violation was not material will rest with the creditor. Even if the creditor is successful in carrying the burden, the creditor will still be subject to damages under 15 U.S.C. 1640(a)(1)-(2) for the violation. However, by limiting enhanced damages to those individual situations where they are appropriate, the Board will greatly limit the potential chilling effect of the regulation on the availability of credit.

3. Broker Regulation.

HPC urged the Board to address mortgage broker issues, and we are pleased to see that it has done so. The Board has proposed changes to the Regulation Z early mortgage loan disclosures for closed-end mortgage credit. The Board in part proposes to require that such disclosures be "delivered" before the consumer pays a fee to any person for these transactions.

We oppose the requirement that such disclosure be delivered before the consumer pays a fee to any person. This would reverse the improvements lenders have made in streamlining the process of obtaining a mortgage, thereby reducing the length of time in closing the loan, all to the consumer's benefit. It would also prevent a consumer from locking in a rate at application in a rising interest rate environment as well as harm consumers who may need an early loan closing. Given the time associated with loan processing, we believe the Board's requirement could add seven to ten days to the loan origination process. To do so for what we believe is not a serious consumer concern would, in our opinion, be a mistake.

There are steps the Board can take to improve the loan process to benefit consumers. We believe that a common form used by all brokers would permit a consumer to not only understand the charges he or she would be accepting for services provided by brokers, but would also permit the consumer to be able to compare easily costs of one broker with another. We recommend, therefore, that the best service the Board could provide on this issue is to adopt a model form for use by all brokers.

While we understand that creating such a form is not easy, and that the Board would want to test it among consumers, we have prepared a form which the members of HPC believes is fair and appropriate for all parties. That form is attached as Attachment A to this letter.

In addition, we have prepared a description of the process to be used by brokers, consumers and lenders in using this form. That process is attached as Attachment B to this letter. A description of how that would appear to a consumer is attached as Attachment C.

Briefly, the broker should be required to obtain the consumer's agreement to the broker's fee, signed by both the broker and the consumer before submitting the consumer's application to any creditor, and before charging any fee other than a nominal fee to cover the cost of obtaining a credit report. That agreement must detail the maximum price that will be paid for the broker services and the manner in which and by whom that price will be paid. Requiring the agreement at this point in the process will permit the broker to (a) complete its review of the alternative methods of obtaining a loan for the consumer, and (2) provide a more accurate and informed statement of the maximum amount of broker compensation. A lender who receives a copy of the signed agreement when the broker submits the application should be allowed to rely upon the broker's representations (absent clear and convincing proof that the document should not be relied upon) of the authenticity of the consumer's signature and the consumer's acknowledgment that no fee has been paid other than a nominal fee to cover the costs of obtaining a credit report.

That agreement need not be changed unless the consumer chooses to make a change (e.g., to the product or terms of the loan that results in a payment to the broker that exceeds the maximum amount calculated pursuant to the terms set forth in the original agreement. If such terms are changed, a modification of the agreement or a substitution of a new agreement would be required at that time. The new or modified agreement, of course, would not be subject to criticism because it was not submitted at or before submission of the application.

From the perspective of the lender, the lender would not issue documents for closing unless the broker agreement was in the lender's files and the compensation and fees contemplated to be paid to the broker were within the maximum charges calculated pursuant to the terms in the agreement. If the agreement is consistent with the fees being charged, then the lender has a safe harbor from liability.

We submit this model agreement and these process descriptions for the Board's consideration, but would emphasize that adoption of a common uniform agreement to be used by all is more important than adoption of this precise form. If the Board decides that this proposed form has weaknesses, we would urge the Board to draft and adopt a form which it finds acceptable. Permitting brokers or state regulators to create their own form could produce a variety of forms that might confuse the consumers, make it difficult for consumers to shop, and might make it difficult if not impossible for creditors to confirm that the documents comply with the applicable regulations.

Finally, while the Board is proposing this set of regulations for the broker/consumer/creditor interaction, other federal agencies are doing the same. We urge the Board to coordinate its activities and its regulations with those of the Comptroller of the Currency and the Director of Thrift Supervision so that lenders who are subject to supervision by two or more of these agencies will be able to use one form and one process to meet the regulatory demands of all of the agencies. Similarly, we urge the Board to coordinate with the Department of Housing and Urban Affairs to ensure that disclosure requirements on all lenders and brokers are consistent and provide relevant and easily understandable information to borrowers.

With respect to lenders' interactions with brokers generally, lenders should not be held liable for broker's representations that are unknown to them, unauthorized by them and cannot reasonably be discovered by them. We urge the Board to avoid placing lenders in positions to assume liability for actions of brokers created by conversations with the consumer or other third parties, or created by documents which have been falsified by the brokers or other third parties in ways undetectable by lenders taking reasonable precautions. A standard uniform agreement will go a long way to address these concerns.

We are pleased to see that the proposed regulation recognizes the basic difference in the relationship between mortgage brokers and consumers and employees of the lender and consumers. As the proposal implicitly recognizes, it is highly unlikely that a reasonable consumer would ever be confused over whose interest an employee of a lender is representing – the employee represents the interest of the party from whom the consumer is trying to borrow money. Adding yet another disclosure form to the already massive packet of documents needed to comply with regulations should be limited to situations in which the disclosure would provide information the consumer may not already have. That is not the case when the issue is the comparative loyalty of the lender's employee – the consumer knows that.

We make one additional suggestion. We believe that lenders should incur no liability if the closing agent forwards compensation to the broker in excess of the amounts specified in the lender's closing instructions when that excess is promptly refunded to the borrower as soon as the error is recognized.

4. Harmonize the regulation with the Statement on Subprime Mortgage Lending and the Guidance on Non-Traditional Mortgage Product Risks.

The Board in concert with the other federal bank regulatory agencies issued Guidance on Non-Traditional Mortgage Product Risk ("Guidance") in September of 2006 and a Statement on Subprime Mortgage Lending ("Statement") in July of 2007, and both of those agency actions are currently in effect. Lenders who are subject to the jurisdiction of those rules are complying with them, while some lenders not subject to that jurisdiction may or may not be.

HPC is concerned that notwithstanding the likely similarity of many of these provisions in all three of the documents, there are likely to be instances in which the wording is not identical and courts might interpret those differences in ways which might generate liability for a lender who is making best efforts to comply. Accordingly we urge the Board to clarify that compliance with the regulations constitutes compliance with the Statement and Guidance on those subjects mutually addressed.

5. Create a model mortgage disclosure form.

HPC strongly believes that consumers should be provided clear, concise disclosures so that they can understand the terms, costs and risks of various mortgage products, and can make an educated choice about which product meets their needs. It is not an exaggeration to say that disclosure forms in mortgage finance have become so numerous that they no longer provide the disclosure for which they individually have been designed. To overcome that problem, HPC believes that consolidation and clarification are the goals the Board should pursue.

HPC believes that the effort to consolidate and clarify disclosures can begin with this proposal. In addition to the model broker disclosure form we have recommended, we recommend that the Board adopt a model mortgage disclosure form that when used by creditors will be deemed to comply with the disclosure requirements of this regulation, the Guidance, and the Statement.

In addition, while we believe that the Board is correct in considering in another context changes in section 226.19(2) of Reg Z, we would urge it to use this opportunity to enhance disclosure for ARMs which are covered in this regulation, and to provide a model form under 12 CFR226.19 which would supersede all other disclosure requirements for covered loans under this section, applicable state law, the Statement and the Guidance, and which if used by lenders would be deemed to have produced the disclosure required under the regulation.

We appreciate that creating model forms is not uncomplicated, and we would urge the Board to test the forms with groups of consumers before publishing them for comment. As we noted in our introductory comments, we also urge the Board to work with HUD to create a simplified, rational set of mortgage disclosures.

6. Prepayment Fees

While we believe that there is cause to limit the use of prepayment fees, we also believe that it is in the interests of consumers and lenders alike for lenders to have the option to include a reasonable prepayment fee in their loan, regardless of the consumers debt-to-income ratio, if the result of accepting that prepayment fee is a reasonable reduction in rate. In place of the proposed restrictions on all loans, we recommend that on all higher priced loans, the maximum prepayment period should be limited to three years, and the penalty should be 3% in the first year, 2% in the second year, and 1% in the third year.

In addition, on all hybrid loans with fixed introductory rates in which resets of over 10% occur after a fixed payment period, the prepayment should terminate prior to 60 days before the reset date. We have suggested a requirement for a significant increase in the rate because as the proposal is currently drafted, it limits prepayment provisions to the first 10 months for the vast majority of ARMs. We hope that the Board does not intend to make such a dramatic change as the proposal would make for that product, a product that has been especially useful to a large segment of prudent borrowers.

7. Effective date for implementation of escrow provisions.

While HPC does not object to a requirement for escrows of taxes and insurance, we believe that there are a number of lenders who do not currently have the capability to provide such escrows. Time will be needed to develop that capacity. We recommend that the effective date for those provisions should be no sooner than the later date of June 1, 2010 or 18 months after the publication date of the regulation.

8. Appraisals

The Board's proposal prohibits coercion of an appraiser to misrepresent the value of a dwelling, and provides a number of examples of actions that violate that prohibition. In the commentary, examples are provided by the Board of actions that violate the prohibitions and equally important, examples of actions that do not violate the prohibition.

We would urge the board to go further. We believe that improper actions are the appropriate determinant of actions that should be prohibited, and do not believe that organizational structure should be the determinant. We would urge the Board to make a definitive statement in these regulations to that effect.

Many appraisers operate as employees of companies that extend credit. They are certified or accredited appraisers, and they conduct their appraisals independent of the lending or production arm of the lenders. This permits the lender to assure itself that the quality of the appraisals remains high, thereby protecting the capital that is at risk in any loan made based upon the appraisal.

Similarly, many appraisers are employed by companies in whom lenders have a minority interest that might run as high as 49%. These companies often engage in a variety of settlement services activities in addition to appraisals, and again, in great part because of the ownership interest of the lenders, are subject to immediate oversight for control of the quality of each appraisal and the strength and integrity of each appraiser. Many of these companies have been the source of innovation and process improvements in the industry. They, of course, have substantial capital behind their actions.

No evidence has been presented which demonstrates that loans in which in-house appraisers or appraisers employed by settlement services companies conducted the appraisals have performed worse than those in which appraisers not so employed have been used. We think that any evidence which could be gathered would show just the opposite.

We also note that the GSEs have requested comment on their proposed Home Valuation Code of Conduct. We suggest that the Board be involved in this process to ensure that there is a uniform approach to improving the appraisal process.

9. Servicing requests

The proposal requires a creditor to provide to the consumer a schedule of all specific fees and charges that the servicer may impose on the consumer in connection with servicing the consumer's account. We respectfully suggest that this is an impractical standard and one which will impose significant burdens on lenders without any commensurate public benefit.

There are a number of alternatives which will serve to provide all necessary information about fees in a timely fashion yet avoid the excessive cost. For example, a schedule of fees could be provided on the monthly statement, or on the lender's website, or through use of a toll free telephone number, or any of a number of other less costly but still effective means.

Some fees simply cannot be stated as the proposal would require. For example, should the account become delinquent, fees which may arise such as attorney's fees will vary greatly depending upon circumstances, and cannot be stated in specific terms in advance of the occurrence of those events.

Requests for fee information, as well as requests for payoff balances, should be required to be delivered in writing and to a lender-provided address. On the requests for payoff balances, we urge the Board to provide more than 3 days to respond, and to permit lenders to use their normal procedures to identify persons who are purporting to make a request on behalf of the borrower, and not commence counting the time period until the lender is satisfied that the person does in fact speak on behalf of the borrower.

The proposal also requires that the creditor to respond to counseling agencies acting on behalf of debtors, responses which the creditor is already obligated to give in responding to qualified written requests. This seems to be duplicative of duties to which the creditor is already obligated, so at best it is redundant and at worst creates additional harsh liabilities for violations. There is little public policy purpose for duplicating already existing duties of the creditor.

Thank you for considering the views of the Housing Policy Council. We look forward to prompt action on this regulation to improve protections for consumers, to insure that all mortgage lenders and brokers are appropriately regulated and to preserve the ability of responsible mortgage lenders to provide credit to Americans seeking to finance a home.

With best wishes,

John H. Dalton

John H. Dalton
President
Housing Policy Council
The Financial Services Roundtable

Housing Policy Council

Attachment A

MORTGAGE BROKER FEE AGREEMENT AND DISCLOSURE

This document confirms the agreement between you and [Broker Name], your mortgage broker ("Broker") about how your Broker will be paid. You should not pay any fees prior to entering into an agreement with your Broker. If you pay any fees before the loan closes, be sure to understand whether those fees are partially or fully refundable and under what circumstances.

1. BROKER SERVICES - You have engaged your Broker to arrange a loan for you. Your Broker charges you fees to arrange a loan from a lender who will fund the loan. Broker fees can influence the loan products and terms you are offered. Your Broker will seek to assist you in obtaining a loan that meets your financial needs, but your Broker does not distribute the products of all lenders in the market and cannot guarantee you the lowest price or best terms available. Before signing loan documents, be sure that you understand and are satisfied with the product and terms your broker arranges for you.

2. BROKER FEES - You have asked your Broker to assist you in obtaining a loan in the amount of $(A) (Note: For a line of credit, the loan amount is the maximum credit limit on the line). You have the choice of paying your Broker directly or directing lender to pay the Broker on your behalf.

These are the fees you agree to pay your Broker directly:

Application Fee:	$(B) [exclusive of any application fees paid to lender]
Processing Fee:	$(C) [exclusive of any processing fees paid to lender]
Other:	$(D) [describe]
Broker Fee (Points)	$(F x A) This fee will not exceed (F)% of your loan amount.

In addition to fees you agree to pay your Broker directly, you agree that the lender may pay your Broker additional fees on your behalf as follows:

Yield Spread Premium (YSP): The YSP is paid by the lender on your behalf in exchange for a higher interest rate. Based on current market rates and your current loan request, your Broker would be paid a YSP equal to $(G). The YSP may change but in no event will the YSP exceed (H)% of your loan amount.

Other: $[I] [describe]

BASED ON A LOAN AMOUNT OF $(A), THE MAXIMUM FEES YOU WILL PAY THE BROKER DIRECTLY OR THAT THE LENDER WILL PAY THE BROKER ON YOUR BEHALF ARE $[B+C+D+(FxA)+(HxA)+I].

If your actual loan amount is different than $(A), then the maximum fees shown in this agreement may increase or decrease accordingly. Until you decide how much you wish to borrow and until you lock your interest rate and terms through the closing date, your Broker will not know the exact amount of fees. Once your interest rate is locked and your loan amount and terms are finalized, your Broker will be able to tell you the exact amount of these fees. .

3. OTHER CLOSING COSTS - In addition to Broker fees, estimates of other fees you will pay in connection with your loan (fees to lenders, appraisers, title companies, credit bureaus, *etc.*) can be found in your "Good Faith Estimate of Closing Costs". Be sure that you receive the Good Faith Estimate, and that you understand and are comfortable with the fees disclosed in the Good Faith Estimate. (Note: Good Faith Estimates are not provided for lines of credit, so if your application is for a line of credit, you will not receive a Good Faith Estimate, however, information about your other closing costs will be set forth in your line of credit agreement.)

Note: This Agreement does not address additional fees a lender may pay Broker after the closing date of your loan based on the overall quality of loans delivered by the Broker to the lender.

DO NOT SIGN THIS DOCUMENT IF YOU DON'T UNDERSTAND THE INFORMATION ABOVE.

Borrower:_________________________	Co-Borrower: ______________________
Signature:________________________	Signature:_________________________
Date:____________________________	Date:_____________________________

[Broker Name],

by: Signature:______________________

Printed Name:______________________

Date:______________________________

[Broker address and phone number]

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<u>Attachment B</u>

Process for Wholesale Compliance

The Mortgage Broker Fee Agreement and Disclosure ("Agreement") is a portable document that will be accepted by any lender. A separate Agreement will be required for each mortgage, i.e., a first or a second mortgage. Lenders will rely on the most current Agreement submitted by the broker that is in their mortgage file. If the broker wishes to brand that document, that will be acceptable.

At submission of the loan file to the lender, an Agreement must be included with the file. This document must be signed by all borrowers and the broker. If the loan is submitted as locked, all fees must be finalized based on the rate lock. This includes any yield spread premium that was included in the locked rate. If the loan is not locked upon submission, the Agreement will be submitted based upon then current market information. Regardless of whether or not the loan is locked, the Agreement will disclose the calculation of the maximum fee the borrower may pay under the Agreement. The Agreement must be dated and signed on or before the date the file is submitted to the lender.

If the signed Agreement is not received as part of the file submitted to the lender, the file will not meet the minimum submission standards and will not be considered a request for credit. The file may not be reviewed for credit or processing.

If a loan file is submitted, the rate on the loan is locked subsequent to the submission, and the fees do not exceed the maximum rate calculated under the signed Agreement, no new Agreement is required. Similarly, no new Agreement is required, even if loan terms are changed, if the fees to be paid at closing do not exceed the maximum fees that may be calculated in the manner disclosed in the Agreement submitted.

The Lender is required to reconcile the signed Agreement to the fees at closing and insure that total fees do not exceed the maximum fees calculated in the manner disclosed in the Agreement. It is not necessary to reconcile individual fees in the Agreement.

If fees at closing exceed the maximum fees that can be calculated in the manner disclosed on the most recent signed Agreement in the loan file, a new Agreement must be signed by the broker and all borrowers before the lender will close and fund the loan.

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<u>Attachment C</u>

Consumer Perspective – Mortgage Broker Fee Agreement and Disclosure – Closed End Loan

When I, as a consumer, request assistance with the loan application process from a mortgage broker, I will be provided a document known as a Mortgage Broker Fee Agreement and Disclosure ("Agreement"). This document will provide me information regarding the fees that will be charged to me or paid by a lender on my behalf. My broker and I (and any additional applicants on the loan) will sign and date this Agreement.

This Agreement will advise me of the fees that I will pay directly to my broker as well as any fees the lender may pay for me. If the loan rate is finalized, I will be quoted fees that are specific to the transaction that I requested. If the loan rate is not finalized, I will be quoted fees that are more generic and may change upon rate lock. In either case, I will be provided the means of calculated the maximum total fee that I will be required to pay. Nothing further happens unless the Broker and I sign the document.

Upon rate lock, I have the right to request a new Agreement from my broker with specific fees identified. Unless I agree with my broker, I will not be charged more than the maximum fee calculated as disclosed on my original Agreement.

Once the Agreement is signed and the application is completed and signed, the broker delivers the application and the Agreement to the lender. Within three days after the lender gets that application, I will get a disclosure from the lender in the form of a Good Faith Estimate. That disclosure will provide a variety of information. If the broker does not provide the lender the signed Agreement, I will not be considered by the lender as a request for credit.

I will only receive a new Agreement if my broker fees (paid by me or the lender on my behalf) exceed the maximum amount calculated as disclosed on my signed Agreement. If this occurs, I will have the opportunity to work with my broker to sign a new Agreement. At no time, will I be charged any fees (or have fees paid by lender for me) that will exceed the maximum amount calculated as set forth in the agreement I approved when I signed the Agreement, unless I sign a new Agreement in which I agree to higher fees.

If I decide to change my loan amount, the Agreement allows for a fluctuation in my fees charged based on that loan amount change (either an increase or a decrease), but my fees still will never exceed the maximum amount in the Agreement I signed.

At closing, I will sign my documents for the loan. I will have the ability to see the fees that I agreed upon in the Agreement on the HUD-1 Document.