From: Alexandra Chrisman <alexc@flexloanfunding.com> on 04/08/2008 12:50:03 PM

Subject: Regulation Z

To the Board of Governors of the Federal Reserve System:

My name is Alexandra Chrisman and I work for a mortgage broker based in San Diego, CA. Prior to my current stint, I worked for large lenders that include E*TRADE Mortgage, Home Loan Center, Inc., and LendingTree Loans. Over the last 12 years in the industry, I have seen both sides – direct lender vs. broker – and have a unique perspective on the positives and negatives of both sides. I am writing you regarding the above-referenced proposal in hopes that you will give serious consideration as to how this legislation will negatively impact a vital sector of the mortgage origination industry. While I and many of my colleagues agree with the intent of the proposal to protect consumers, I believe restricting compensation for mortgage brokers will have the opposite effect. Hopefully the points below will clearly illustrate this.

Mortgage brokers serve a vital role in the loan origination process. They serve as an unbiased intermediary between the borrower and the lender, and connect two parties that otherwise may never know the other exists. For example, a consumer that is interested in refinancing has the option of walking into his or her bank or any other bank for that matter, and seeing what the bank has to offer. If they do not look for other options elsewhere, they may get stuck with a rate and terms that are less than favorable. However, shopping for the best mortgage is time-consuming, laborious, and needlessly complex and that is enough to cause many consumers to settle on terms that are not the best. The importance of a broker is illustrated in this scenario in that the broker has relationships with many different banks and lenders and can quickly shop for the consumer to find the best rate and terms given that consumer's objectives and financial and credit profile. The broker is providing a service to that consumer, which most often results in the consumer getting a better deal because banks vary on the rates and terms they offer on any given day. One bank could be better one day and another bank the next day, so it is important to stay on top of the lenders to see who is offering a better rate. I had a situation not too long ago where Washington Mutual was offering its long-time banking customer a rate that cost 2 points more than what my broker was able to offer. Given the size of their loan, it translated to over $16k in points, and this was an existing client who had close to $1 million in assets with that bank. The customer was flabbergasted that that was the best her bank could do. This story is not unique. Had she not called our company and had we not shopped for her, she would have been stuck with exorbitant fees and a higher interest rate. Every day, we compete with the larger, well-branded banks such as the WAMU's, B of A's, and Wells Fargo's of the world. What they have going for them is name recognition and automatic trust that comes with brand recognition. These banks are able to get away with higher rates and fees because they are not competing at the same level as a smaller mortgage broker who has to earn the consumer's trust by offering a competitive rate and fees and exceeding their expectations. The large banks and lenders do not answer to consumers. They answer to Wall Street. They need to show profits every quarter, which is a challenge given their large advertising budgets, outrageous overhead, and huge comp packages for their top executives. The only way that a mortgage broker will enjoy repeat and referral business is if they provide a competitive rate with reasonable fees, and excellent customer service. We work much harder to make our clients happy, and they are who we answer to. Furthermore, many of the banks that originate loans package and sell off the loans to servicing lenders, so they never even talk to their customers again. Given that many of the loans they originate will end up with another company, what incentive do they have to provide great rates, low fees, and exceptional customer service? While the line between brokers and lenders is becoming more and more indistinguishable to those of us in the industry, it is becoming even more confusing to the consumer. The average consumer does not know the difference between a mortgage broker, a bank, or a lender, so if it is difficult to distinguish, why hold one sector to stricter standards and not the others? To achieve the objective of protecting the consumer would require the same disclosures and compensation caps be mandated across the entire industry rather than pin-pointing one segment – the segment designed to encourage competition and fair lending. Mandating that the rules apply only to mortgage brokers would in effect wipe out the entire brokerage segment, and banks and lenders would have free reign to charge what they wanted, knowing that the segment that kept lenders and banks competitive is obsolete.

Aside from the industry perspective presented above, there is a more practical argument as well. Given all the fees and third parties (such as title, escrow, appraisal, and notary companies) that are involved in a single transaction, it would be impossible to give a precise dollar estimate of fees a broker will charge – especially if it's required prior to the application. There are details such as the consumer's financial status, transaction details, type of product, amount of loan, and other facets that all affect the transaction, rates, and fees. Suggesting that a broker disclose this information prior to knowing anything about the consumer is asking for the impossible. What would result is that brokers would need to inflate the estimate to a "worst-case-scenario" situation to ensure there is enough room.

Again, I would like to reiterate that the intent of the proposed amendment is supported and needed; however, the amendment in its present state would essentially wipe out a very large segment of the mortgage originators in this country. There would be no easy way for consumers to shop different banks and lenders unless they call 30 to 50 banks themselves, and lenders and banks would have no incentive to keep their rates low knowing that a consumer will come to them because of brand loyalty or because they bank with them.

Please reconsider this proposal and implement a policy that will treat all mortgage originators equally. There should be no preferential treatment given to lenders and banks who are often the ones guilty of charging high rates.

Thank you for your time and consideration.

Sincerely,

Alexandra Chrisman