

From: Ruta Buchholz <mortgageusa@optonline.net> on 04/08/2008 12:50:04 PM

Subject: Regulation Z

Dear Board of Governors,

My name is Ruta Buchholz. I have been a licensed mortgage banker in New Jersey for 22 years. I live in Clinton, Hunterdon County, N.J. and my office is located in Raritan, Somerset County, N.J. Although I am licensed as a mortgage banker, I have always done business as a mortgage broker. I am not alone in this. There are many licensed lenders who operate as brokers. Your proposed amendments to Regulation Z would affect all of us operating in this way as we would also be subject to the rules of brokers, even though we are licensed lenders. Your proposals would put most of us remaining standing after 2007 out of business. We all already have been severely affected by a drastic downturn in our business and these proposals would, in effect, finish the job. There are also many third party businesses which would be negatively affected such as appraisal companies, title companies, attorneys, etc. who are provided with business from business generated by mortgage brokers.

I support your goal of further protecting the consumer by amending Regulation Z, however, I do not agree with your proposals to restrict compensation to mortgage brokers.

I do not believe that a borrower thinks that a mortgage broker is a trusted advisor any more than they would a lender's loan originator, bank employee, insurance agent, etc. Borrowers are much more educated and aware of the mortgage process than you may imagine. They are inundated with information from all forms of media and can research with the click of a mouse. I believe that a borrower feels that they have a better chance of approval with a mortgage broker than they would if applying to a lender directly. This is, in most cases, a correct assumption. This is the benefit of a mortgage broker and the valuable role we play in the market place for consumers. Our knowledge of many different lenders programs and guidelines allow us to find programs for borrowers which they are seeking. If they apply directly with one, two, three lenders or more lenders, they may have wasted time and money and still not be able to secure financing because they have not applied with a lender who is a match to their qualifications. Only a mortgage broker offers a variety of lender products without allegiance to the lender.

As I stated in my opening paragraph, I am a licensed lender but act as a broker as many lenders are. The distinction between brokers and lenders is by no means clear cut. In my 28 years of experience in mortgages, the number one priority for a borrower is getting an approval which meets their needs and closing on the transaction as quickly and smoothly as possible. They don't care that you are a broker or a direct lender. Applying with a direct lender does not guarantee either a satisfactory approval or closing. A direct lender's representative is not schooled in the products and guidelines of competitors. If a borrower calls several direct lenders and finds no one who can help them, who would they go to for help and direction to find a mortgage? Calling on a mortgage broker does not guarantee a successful outcome but a borrower benefits by having their qualifications set against a large variety of current market lender programs and guidelines. We can assist the borrower with reviewing all available options currently available to them and offer suggestions and/or alternatives.

If an upfront fee disclosure, never to be changed through closing, is required prior to a mortgage application, then this requirement should be mandatory for ALL mortgage loan originators, REGARDLESS of whether they are working as a broker or as a direct lender. This should be an industry wide procedure, if passed . If you believe that a mortgage broker knows exactly what will be charged on a mortgage

loan after it has been fully processed, underwritten, approved and cleared for closing, then a direct lender should certainly know this as well and should be subject to the same requirement. The processing of a mortgage unfolds many layers of information which can change the file drastically from its origination to its closing. These changes can effect the file by needing to change the file to a completely different lender program with different pricing and rate structure(sometimes more than once), adjusting the loan amount, changing properties, property appraisal issues, homeowners association issues, adding or removing borrowers, resolving credit issues, dealing with changes in employment, changes in assets, handling title problems, etc. etc. After 28 years of working with mortgages, I still see situations come up that I have never faced before. It is unfair to discriminate against brokers only in such an upfront prior to application disclosure.

This would impede our ability to compete in the already difficult mortgage marketplace . I also feel that this step would be confusing and alarming to a borrower. I also feel that originators and direct lenders who do not obtain business from mortgage brokers would use this additional required disclosure as a tool to steer clients away from mortgage brokers. Our direct lender competitors would use this against us.

Making this a requirement of mortgage brokers only would be branding us “ buyer beware”.

Yield spread premiums have been offered to brokers as way of compensating us for our services because there are many cases where any upfront charge directly to the borrower (whether on a refinance or a purchase) is not possible. There are many cases where there are no funds remaining in a refinance and there are insufficient borrower assets on a purchase to pay any fees to the broker.

In some cases we can earn some upfront fees but compensate for what cannot be earned through the yield spread premium. In these cases all other parties in the transaction are seeking full payment for their

service regardless of available funds, including the realtors who normally earn 6% of the property’s purchase price. The mortgage broker is always the last to be paid in cases of short funds. The yield spread premium has helped but is not always available or sufficient. Abolishing the yield spread premium

would further reduce our ability to earn fees commensurate with the time and effort spent on each file in a market where our overall loan production is already diminished. This would be another measure to put a stranglehold on the mortgage brokerage business as a whole.

I would strong urge you to consider reasonable alternatives to protect consumers is their dealings with all mortgage originators. Borrowers have always been interested in rate shopping which I believe should continue to be encouraged. I also believe that mortgage brokers provide the personalized service that many consumers are seeking and that most mortgage brokers can and do provide.

I am appealing to you as a mortgage broker and also as a consumer. If I were to find myself in a situation needing a mortgage, I would call a mortgage broker. In fact, I have used a mortgage broker for an out of state purchase, by choice and without reservation, for a personal transaction. I would like to know that even when I am no longer in this business, the rights of a mortgage broker are as preserved and

protected as that of all mortgage originators

Thank you for your consideration.

Yours truly,

Ruta M. Buchholz
MORTGAGE USA
1126 Route 202 South
Raritan, NJ 08869
OFC 908-218-0300
FAX 908-218-1127
mortgageusa@optonline.net