

From: GraniteF@aol.com on 04/03/2008 05:45:03 PM

Subject: Regulation Z

Dear Federal Reserve Board:

The proposed changes to Reg-Z requiring brokers and brokers Only to provide prospective borrowers with a BINDING written disclosure of the total amount of their compensation prior to their application is unfair to the brokers and to our prospective borrowers.

I became a broker, after being employed by a Savings and Loan, so that I could 'shop' for the lowest rate/cost ratio I could find for my borrowers that they would qualify for. I feel a sense of gratification when I find an especially good rate/cost for my borrowers.

Prior to locking in their interest rate with a specific lender I cannot know PRECISELY what their cost and my compensation will be. Each of my lenders has a different set of fees. When I complete the existing good faith estimate of closing costs I try to list the highest fees charged by my lenders in order to prepare my clients for the highest costs. Secondly I charge within a range for my compensation. I use an industry standard but within a small range. On some I make a little more percentage wise and on some a little less (i.e. YSP may end up to be .9%-1.3%) and I may quote -0- points in this range of YSP circumstances).

There are fees that can result because of factors I cannot know about prior to receiving an application and maybe not until after the loan has been in process for a while (i.e. a borrower may have a prepayment penalty they are not aware of and that I could not be aware of, a borrower for various reasons did not get me their supporting documentation in time to meet the lock and therefore the lender may tack on an extension fee, there may be an appraisal review required after looking over the appraisal). The reasons fees are higher/lower can go on and on. The reasons can be reasonable and unavoidable no matter how competent we are in our job and no matter how hard we try.

I just funded a loan in which the first lender, after having the loan package for over 60 days, let us know that they would not allow their existing second mortgage to stay on now that they were funding the new first mortgage. We initially knew that it was costing \$100 to keep this second mortgage and had that figured in our estimate of fees but now they kept our \$100 even though they would not allow this loan to stay on and we had to scramble to find a new second mortgage. I did find one (with zero compensation to me or my company), it is very low cost (I got lucky but my borrower may have had to close one with fees) loan but it does cost some additional notary, recording fees and now my borrower is incurring a \$571 prepayment fee because they are closing their existing second (initially remember we were not closing this loan so there would not have been a prepayment fee) and it required the first set of documents to have to be redrawn which was at a cost of \$150. I split the cost of the redraw fee but according to your proposal I would have been out of compliance regarding these fees and the prepayment penalty

and the fact that there is now a new first mortgage. The first mortgage I secured for this borrower is still at excellent terms and it is therefore in their best interests to secure a new second mortgage (with reasonable cost/rate) quickly. I would have hurt the borrower more by not closing this loan which is savings them over \$500/month and cost a net of now \$5200 whereas I had quoted \$5000. They understand why it's costing \$200 more than I estimated and eagerly waited for this loan to close.

In sum, I believe it is unrealistic and constricting to mortgage brokers and often detrimental to mortgage borrowers to be required, from the get to, to have binding fees. It would be much easier for a bank that deals with one set of fees to handle this requirement.

I do not feel it is even in the best interests of the client to be constricted by this. Sometimes, rates will go down and I can renegotiate a lower rate for my clients. When this occurs, sometimes my clients opt to pay higher points to receive even a lower rate. The way the pricing configures there are situations where the rate/cost can be especially attractive. The net effect on the HUD-1, the cost to the borrower is greater than on the initial disclosure but if a person analyzed the situation from the beginning to the end they would see the numerical savings over a set period of time and it would be evident that the net increase in cost was a longer term benefit to the borrower.

I fund my loans, for my clients, with the lenders who have the lowest ratio of interest rate/cost. I generally do not know at time of application who that lender will turn out to be nor do I generally know my exact compensation.

These new rules would constrict me to do the best I can for my borrowers. I understand that you are trying to enact regulations that would require mortgage brokers to work in an ethical manner. I applaud your intentions, but please do not enact regulations that will hurt the brokers who truly derive pleasure by procuring the best possible rate/cost ratio for our borrowers.

Sincerely,
GRANITE FINANCIAL

Stephanie Noryko