From: "Nate Ide" <nide@idealmortgage.org> on 03/26/2008 09:55:13 AM

Subject: Regulation Z

Hi-
I am a licensed first and second mortgage broker here in Lansing, MI. I support the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but do respectfully oppose the proposal to restrict the yield spread compensation paid to mortgage brokers.
We, as brokers, act as an intermediary and liaison between the customer and the lender. Our responsibility is to find the lowest rate, best program, and competitive closing costs for the customer. We serve the customer in this aspect and also serve the lender by bringing them new business. We really act as a dual agent for the customer and the lender.

Mortgage brokers compete with direct lenders, banks, retail outlets on a daily basis. There are also real estate companies in the area who have opened mortgage shops to try to compete with us. The average consumer does not know the distinction between a broker and direct lender/bank. Many of them simply do not care as long as they are getting the best deal.

The yield spread premium is how I make the majority of my money. This enables me to charge minimal fees up front. Changes to the yield spread premium will mean I will have to charge the consumer more fees (origination, discount, etc) up front. This will make it a more costly loan to the consumer and will not be as attractive. I frequently use yield spread to pay all of a clients costs. This is done on larger loan amounts. So they get a no closing cost loan and I am still able to make money. I will not be able to do this anymore if there are changes to the yield spread.

I think these disclosures are going to confuse customers. We do have the YSP listed on the good faith estimate and the HUD -1. I also explain to customers that I get paid from the lender which in turn keeps their costs down. This disclosure would put us at unfair advantage with our competitors. They may not be disclosing their true compensation even though they are receiving it. By brokers have to disclose, our competition try to show us making more money, when we may be making the same or even less.
It is also impossible to list what our yield spread is before submitting an application. There are many variables we do not know, including their credit, loan program, lender we will send it to, loan amount, appraised value, etc. these are all things that can change throughout the process. Also, many applicants want to float their rate along and not lock it in until after the appraisal or the loan has been underwritten. With rates changing several times a day, it is impossible to know what our yield spread premium will be. That is why I support keeping the 0% -3% range on the good faith estimate. This is much more accurate to the consumer.

I suggest that the Fed consider other alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators thus leveling the playing field.
Thank you very much for your time and your consideration on my comments.

Regards,
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