From: "Steve Cockerell" <scwfm@sbcglobal.net> on 04/08/2008 12:50:01 AM

Subject: Regulation Z

To Whom It May Concern:

I have been in the real estate industry since college (40 + years) and in my early years there were two sources of home loans, Banks & Savings & Loan associations. In those early years, prices were set in monthly increments and as you sought financing for your clients, everyone got the same rate, program and terms. Then mortgage brokers began appearing on the loan front offering something new and different. This was a time when you could go to one broker who represented the banks AND the S&L programs and could offer to put your loan 'out to bid' or price and compete with the institutions, while also offering better and individualized service.

I was skeptical at first, but once I tried using the mortgage broker for my customers (as a new Realtor at that time), I found a profound desire to work in the best interest of my clients, provide a higher level of care and service, all while maintaining pricing competitive with the sources. I did not understand the concept but the broker explained the term "wholesale" lending and described his service like that of a "financial travel agency". My clients were not paying for his service, the banks were. In fact after many tests, his pricing matched or sometimes beat what was available by going 'direct' to the source.

Then after leaving the industry in sales and taking another real estate career direction, I used the services of both banks and mortgage brokers in my pursuit of financing for my real estate transaction as the principal. Again, depending on the product, I found equal pricing and typically similar service; the separation being based on the type of financing I needed.

In 1983 I entered into the mortgage industry (a career for which I had graduated college with a finance major many years before) there was no doubt in my mind that I wanted to be the mortgage broker, not the bank. Why? I wanted the ability to provide equal and superior service to my clients and the lenders, the ability to have multiple loan sources to better serve their needs, and the independence to find product, pricing and underwriting guidelines with the highest flexibility. Over the years of my career, I have consistently seen the banking industry try to take over the loan origination business in two ways; First, by attempting to limit broker access to their products and try to price products at (over wholesale) higher pricing to brokers. The second was in lobbying attempts to congress or other regulatory authorities such as HUD to paint a picture that brokers are just an unnecessary drain on the system, not representing either party to any benefit, and taking advantage of clients.

Neither has yet to be proven and those who tried to shun the mortgage brokerage industry have come back to us time and again with their tails between their legs and wooing back our business as they failed miserably in attempting to eliminate us. As to brokers being singled out to not only "pre-disclose" our intended earnings on our initial offering and good faith estimates, we have lived with that for over 12 years, showing what fees the borrower would pay and those that the bank gave us in rebate or service release premiums. The banks do not nor did not have to show this 'back end' pricing, which they also obtain when selling their MBS to the secondary market. And YET, we have prevailed, to date still providing the majority of loan originations. Realtors will seldom refer their clients to banks over mortgage brokers or mortgage bankers because they have gained respect for out honesty, integrity and ability to complete the task with far higher levels of personalized service to them and the client.

I have been taken to task in competing against retail bankers with whom I have wholesale agreements, and almost NEVER can the bank offer to my clients the same rate and costs that I can when competing for the same product through the wholesale division of the same institution. Why is that? Because we are better equipped to do just what we do best – mortgages, and at a fraction of the overhead costs of banks. For example, compare my $1.05 per sq ft office lease to the $400+ per square foot buildings that house these retail banks. Additionally, look into the layers of management and regulatory personnel they must employ.

Wholesale lending is in fact just that; pricing the product to retail mortgage institutions to allow for regular and competitive mark-up to the client so we can compete on the same product and offer the same or competitive pricing. It is clear to me that this latest attempt to force us to meet a higher standard for the same product and service is yet another attempt at big business attempting to monopolize the industry in whatever corner they feel they can. When you shop for a loaf of bread you can go to the supermarket and pick from 17 brands with over 100 products in the bread isle, and you pay retail price. If you go to the commercial bakery and buy in the retail shop of that bakery, you pay just about the same price. Why? Because the bakery sells the bread to the store at a "wholesale" price and allows a reasonable mark-up to the client which then offers the same product to the street at the same price. Mortgage are treated in the same way, and our client gets to look at all 100 products in one shopping center, instead of going from bank to bank.

If you wish to require that mortgage originators must (1) disclose their expected profit and fees at the beginning of the transaction, and (2) not be allowed to waiver from that number throughout the loan process and close under those terms, then this law should apply to all mortgage originators including brokers, mortgage bankers and federally chartered banks. In that way, the customer sees the same level of disclosure from all providers. On the other hand, any such provision must also allow for changes in terms for the loan when the borrower cannot qualify for or rejects the originally sought loan terms due to income or credit issues, down payment changes, product changes at the request of the borrower or lender, etc. This again needs to apply to all providers.

If banks want to attempt to take over the mortgage industry, then let them do so by closing the doors of wholesale lending to our industry. Then we will not have product to sell and will go away. Why don't they do that? We all know why. And as to why we are in fact similar to banks, it is noteworthy that the banking industry in fact sells off almost 100% of the loans they originate as well, thus also acting as an intermediary source for real estate funding.

My final parting thought. Is there any evidence that customers pay more for equivalent products when originated by brokers than the bankers? I think not as those statistics would be available and shared. I am fully in favor of Regulation Z rules which in fact protect borrowers and the public and give all service providers an equal playing field. But please do not enact unfair or biased restrictions on an industry which has for 40 years or more proven a valuable source of service to the industry

Yours truly,

Steve Cockerell, President
Western Foothill Mortgage, Inc
183 C Placerville Drive
Placerville, CA 95667
530-621-0222