

**From:** "Joe Barron" <jmb.barronfunding@sbcglobal.net> on 04/07/2008 07:30:02 PM

**Subject:** Regulation Z

To the Board of Governors of the Federal Reserve:

Thank you for the opportunity to comment on the Federal Reserve's Proposed Rule Amending Regulation Z, Docket No. R-1305. We admire the Board's efforts to protect consumers, but respectfully oppose one of the provisions of the Rule.

We own and operate Barron Mortgage in Fort Smith, Arkansas, a small business which is a mortgage broker, doing business in Arkansas and Oklahoma. Our business is oriented principally toward what are generally referred to as "prime" borrowers, and we view the local bank mortgage departments as our chief competition.

It is for this reason that we wish to respectfully register our severe objection to the portion of your rule which establishes a new requirement for the timing and disclosure of our gross profit as it relates to lender paid yield spread premium. Since under your rule we, as brokers, but not our competitor banks, would be required to disclose the specific dollar amount we would gross from the making of a loan, before an application can be taken, we feel our business will be placed at an uncalled for and severe competitive disadvantage.

Giving the consumer an exact dollar amount of our fees before we take his or her application is just impossible. At that point, we do not know many facts about the consumer's situation which are necessary to make such a determination, or even to select the product which best suits them. Indeed, these facts may vary as we work with the consumer. With all respect, it is clear that the Rule was made by those who have no idea how our business is conducted, and the great benefit we bring to consumers.

Knowledge of the amount we are being paid by a wholesale lender is of no more use to the consumer than the knowledge of what a lender earns upon the subsequent sale of a mortgage note or the value (whether retained or sold) of the lender's servicing rights—however, forcing us to disclose it in the way you propose may well cause the consumer to determine that the amount is being charged to him or her when it is not. The confusion which results may well cause many consumers to make the choice of accepting the loan from a lender when their best choice would have been our loan. We would point out to you that we believe that we often, under existing rules, offer better interest rates and costs than our bank competition on otherwise identical products.

It may be that the Federal Reserve Bank believes that for a consumer to obtain a mortgage at a bank is better for them; if that is the case, it would represent a terrible misunderstanding of the facts. Consumers rightly often conclude that a non-bank "mortgage company" is a better place to get a mortgage; and while we at Barron Mortgage always have our customer's best interests in mind (we frequently obtain new customers through referrals from previous ones) we do not hold ourselves out as any sort of fiduciary or agent of either the customer or our wholesale lender. We are selective about the wholesalers we place loans through, and we perform the function for the borrower of making a decision informed by our experience and constant monitoring of interest rates and the bond market—so, we do provide a benefit which is beyond the ability or desire of most originating banks, who it appears utilize only one channel; and for the wholesale lender, we provide the service of originating a loan more efficiently in almost every

instance than if the lender operated a retail branch here.

Making a home loan decision is not a thing consumers do on a regular basis; the plethora of disclosures which they must be given are already confusing and burdensome. Please do not further injure consumers by making their decision making process even more opaque. There is no substantive difference in the function our company serves and that of a direct lender, and the distinction isn't of any great interest to most consumers.

Perhaps a more compelling analogy would be the purchase by a consumer of a product or service of any kind: let's say a television set. The consumer is free to shop for that product with its many options and features at a great variety of sellers: electronics shops, both local and chain; the internet; large discount "clubs, and so on. It is inconceivable that any regulator of any kind would propose that such a business divulge to the consumer the seller's gross profit on the sale of the television, and do so before accepting an order for it!! In fact, it is impossible to think of a single business upon which such a burden is placed, save for the poor mortgage broker.

All the consumer wants to know about the television set are all the facts about the product itself, so he or she is able to be certain that all the features are comparable as they shop for price. Well, that is all the consumer is interested in when shopping for a mortgage: what are the exact terms of the arrangement, and what is their note rate (and, of course under present Fed rules, their APR).

The reason this is so startling is that it makes absolutely no sense. The profession and business of being a mortgage broker is one of the most useful in the financial world. Admittedly, there are less than honorable persons and companies. However, these exist within the lender community as well.

We wish to point out that most of the rest of the rule appears to be satisfactory, and we commend the Board for its efforts. We would very much welcome any action which would protect consumers in their dealings with all mortgage originators.

We are so proud of our business, and the contribution we have made to the lending community in the areas we serve, and we pray that you do not place us at such a disadvantage to our competitors as to put us out of business. As a former CPA with a large accounting firm, with experience in auditing and otherwise representing banks and savings institutions and dealing with their regulators, I know what is right and what is not, and I assure you that what you propose in this Rule as to restricting compensation for mortgage brokers is misguided.

Again, thank you very much for considering our comments.

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