

Letter to the Board of Governors of the Federal Reserve System
regarding Proposed Rule Amending Regulation Z---Docket No. R-1305

I am Lucy Krasnor and am a Vice President at Strategy Mortgage in Greenwich, CT

I have been a mortgage professional as a loan originator for over 25 years. Prior to that I was the first woman Trust Officer in the Investment Division at Bankers Trust Company managing pension trust assets.

I am writing to strongly oppose the proposed rule which would require mortgage brokers to notify their clients of the EXACT, SPECIFIC compensation, including yield spread premiums that they would receive for the transaction BEFORE an application was submitted. This rule is simply unworkable and indicates that those who proposed the rule are completely unaware of how the mortgage brokerage industry works or they simply want to put us out of business.

To have such an agreement before an application is impossible because in many instances the borrower has not locked in a rate as yet; they may be closing beyond a 60 day lock period but they need to get started and get approved on a "float basis". If one looks at the rate sheets given to us by the major banks such as Chase, Citibank, Wells Fargo, and Astoria Federal Savings bank one sees various rates and various premiums and also various gradations based on the number of days for the rate lock. For instance, if a borrower is closing in 80 days the rate and premium for a 60 day lock on March 15 could vary greatly with the rates and premiums being offered 20 days later when the borrower is within a 60 day period of closing and is ready to lock in the rate. There would be absolutely NO way to be specific as to the exact premium one would make if you are not locking in the rate at the time of the application.

Recently, I had an individual that was purchasing and we locked in a rate making 1 point for a program whereby we verified his very considerable assets only. 30 days later rates had dropped substantially and he had prepared his 2007 tax returns so we could qualify him in a different manner and we switched his loan to another bank and he was now closing with in 45 days and so the rate--.375% lower than his original lock was paying 1.125--the closest I could get to what we were making originally. According to the new rule because the specific amount was now different from the original disclosure on the GFE and TL I would not have been able to make ANYTHING because it was not the specific amount we were originally using. THE CONSUMER would be damaged if I had not been able to switch his loan to another lender now that I had more information and my range of possible lenders had expanded.

Mortgage brokers do a great service for their clients by finding them the best program available with the analysis of the clients data. Sometimes all the information is not available BEFORE the client files an application. Sometimes the borrower describes his income to us inaccurately and we find we can not use his bonus or other income and we need to switch to a different lender. Because we represent many lenders we do the client a service by being able to switch their loan to the program which best meets their needs. At Strategy Mortgage we do not switch loans to a huge degree but we have to be able to do so in this rate environment or if there are parameters of the loan which change which require us to switch to a different lender.

There are literally thousands of reasons why premiums would change from what was originally contemplated BEFORE an application--program changes--dollar amount of loan changes--timing changes---ETC-all of these things can influence the yield spread premiums. Even with conforming loans now there are credit and loan to value adjustments which must carefully be considered. We do not blythely "pull" a credit report and so if we disclosed what we might make and then due to credit scores which we only discover AFTER we start an application a file might go to a different lender paying a different amount than originally thought. Some times lender want business in their pipeline and so all of a sudden will start to pay more than we thought originally.

Many clients increase the amount of their loans by taking cash out for renovation or debt reduction. If we were originally making 1% or \$7,000. on a \$700,000 loan and the borrower changed to a \$750,000 loan we would still be making 1% but the amount would be changed to \$7,500.--still 1% but on a higher amount --but according to the new guidelines of the specific amount changing we would then not be able to make anything on the loan even though it required more work and was underwritten again by us and the bank for a second time after the borrower changed his original request.

98% of our compensation is solely derived from yield spread premiums which are disclosed to our clients on the Good Faith Estimate of Closing Costs within 3 days of an application for a purchase, refinance or even a pre-approval. There are no secrets in the mortgage brokerage industry now with the existing timing of disclosures of fees. If there are changes to programs and fees we send out new disclosures immediately.

I urge that any rule changes should apply to ALL originators of mortgages whether they work for a mortgage broker or a mortgage banker or a bank. Mortgage brokers are not responsible for the subprime catastrophe but we appear to be singled out for very restrictive new guidelines which would actually put us out of business because the new proposed guidelines are totally unworkable.