

From: "Clint Myers" <cmyers@cimginc.com> on 04/07/2008 05:30:04 PM

Subject: Regulation Z

I am writing to comment on several issues that I have with the new proposed Fed Rule which would impose significant burdens on mortgage brokers. I do support the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but I respectfully oppose the proposal to restrict compensation for mortgage brokers. In particular, the proposed Fed rule would require brokers, but not other mortgage originators, to disclose the specific dollar amount which the broker would earn from a transaction, including yield spread premiums. HUD already requires disclosure of yield spread premiums on both the GFE and HUD-1. I don't understand why the Fed believes additional disclosure is needed from brokers, but not other originators, to protect consumers. Lenders also receive compensation such as service release premium but this does not have to be disclosed since it takes place in the "secondary market". This is an unfair requirement for just mortgage brokers. Yield spread premiums are more than just compensation. They are used to pay certain costs for borrowers which can decrease upfront costs. Upfront costs is one of the biggest obstacles many homebuyers face and YSP enables mortgage brokers to structure a transaction so that a buyer can pay less upfront. They may pay a slightly higher interest rate but a lot of people can afford the increased monthly payment more than initial upfront costs. Requiring brokers, but not other loan originators, to make compensation disclosures will enable the brokers' competitors to steer consumers away from brokers, even if brokers offer more favorable loans. This will in turn hurt competition resulting in consumers being hurt in the end. Also, it is impossible to give a reasonably precise dollar estimate of fees a broker will charge in a transaction before an application is submitted because the broker does not yet know the prospective borrower's financial status, transaction details, type of product sought, or amount of loan. Even if you did, all of these items could vary as the transaction progresses.

Thank you for considering my comments.

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