

**From:** "Hill Country Mortgage" <loan@tstar.net> on 04/08/2008 09:55:03 AM

**Subject:** Regulation Z

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Board of Governors of the Federal Reserve System

Regs.comment@federalreserve.gov

Re: Docket R-1305, Amendment of Regulation Z

Dear Board of Governors Members:

Thank you for allowing Mortgage Brokers to comment on the proposed changes. It makes me think we do still live in a democracy. I have been a Mortgage Broker for 8 years. My experience also includes 10 years as a Bank Loan Officer in Houston, Texas. I am in complete agreement that the Truth-in-Lending needs to be simpler and easier to understand. In its present form, it confuses Borrowers, Originators, Realtors, Title Company Escrow Officers and anyone who sees it. The Lenders provide an explanation sheet, but it is still confusing.

To quote absolute fees upfront before an application is taken will not work out in the day-to-day operations. Under this proposal, Mortgage Brokers will be run out of business. This will cost the Borrowers more for the loans because of no competition and many outlying areas will not be served at all. The legitimate, ethical Wholesalers will have to close their doors – more unemployment.

Brokers have many, many calls from people who are “shopping”; a lot have been looking around online and are filled with “come-on” information. Realtors send us people to pre-qualify or approve. Borrowers are not going to tell the Broker, the Realtor or Online that their credit scores are 500 and they have \$1,000 in assets. Brokers will spend hours preparing GFEs and TILs for people who could not buy a bicycle. Borrowers think anyone offering a loan is a “lender”. Borrowers do not distinguish between Brokers, Bankers, Online Lead Gatherers, Insurance Companies, Stock Brokers or any other entity offering loans.

As it is now, we are required to provide all Disclosure Documents, including Good Faith Estimates and Truth-in-Lending within 3 days after we take the application. This works well. In that time frame, we

already have a preliminary approval for the loan, and can also ask for items we need such as income and asset verifications.

We Brokers work hard for our Borrowers. It is up to us to get the Borrower the right product, the lowest rate and costs and best Lender. We have to coordinate the closing with the Lenders, Realtors, the Title Companies, the Surveyors, the Appraisers, the Insurance Companies and sometimes the Sellers. If a loan doesn't close and fund on time, it is always the Broker's fault so we are under a lot of pressure to get all these other people to do their jobs within the time frame. We go to the closings. We more than earn every penny we get.

The Yield Spread Premium is definitely earned compensation. It saves the Borrowers money because Brokers can charge less upfront fees such as FedEx, postage, extra credit reports, loan application fees, long distance calls and faxes, copies, etc. Yield Spread also covers Lender required fees such as the new Fannie Mae/Freddie Mac loan level adjustment fees. Even using the Yield Spread, Borrowers still get a better rate than they would going through a major bank. This can be verified by looking at the quotes in the major newspapers or online. We are sometimes at minimum wage anyway, considering the time we spend on each loan. Without Yield Spread Premiums, what will happen to the \$40,000-\$100,000 loans? We usually earn 0.250%-1.0% yield spread premium.

Please consider: A large percentage of our country is not in the high cost, over-valued markets. We are in a stable market here. Values have increased steadily but not dramatically. We should not be punished for the small percentage that were greedy and/or unethical.

The real culprits in the business are the online advertisers, the Builders with their own mortgage companies, and the Lenders who are our Wholesalers, but who also run their own retail stores and compete with us. Then you have the financial advisors, the stock brokers, and the insurance companies that offer loans. A lot of these never see the Borrowers and are not concerned about the Borrowers. It is different when you are dealing with people face to face; you actually understand their financial position and goals, and you want to get them the best loan-not just a loan.

To make life simpler for the Borrower and for Borrower to truly be able to analyze his best deal, the following will have to happen:

~All Loan Originators, including Brokers, Bankers, Insurance Agents, Stock Brokers, etc.

should have the same licensing and rules. Under the proposed plan, many of the best Brokers will find it too tedious and unworkable and will find something else to do. The sleazy Brokers will join some non-regulated entity, and will continue what they are doing with more freedom to do it. The Borrowers are the ones who will suffer.

~The current time frame for Disclosures, within 3 days of application, works well. The Originator has some facts, and is not providing useless GFEs and TILs.

~The Online Advertisers, most are gathering leads to sell, have to be regulated. They advertise

Lenders will be fighting to make loans at totally unrealistic interest rates. This false

Information immediately makes Borrowers mistrust Originators who tell them the

truth.

~Put a cap on Yield Spread Premium amounts to Brokers, after the Lender fees are paid. All Lenders have limits and will not make high cost loans. Maybe those limits could be lowered 1% or so.

~ Let the States be responsible for oversight for their own industry. Many states have licensing and education requirements now. In Texas, we are licensed by the Texas Department of Savings and Mortgage Lending. We are audited; we have a mandatory Mortgage Broker/Loan Officer form to give Borrowers upfront, which includes how one can file a complaint; we have to do Continuing Education, and have to display the complaint website and phone and fax numbers prominently in our office. The Commissioner and employees of the Department provide free educational seminars for us.

Again, thank you for the opportunity to tell you how it works in the trenches. I wanted to make it one page, but it would not fit. Please feel free to call me for further discussion.

Sincerely,

Wynona McCullough

Mortgage Broker No. 2911

Hill Country Mortgage Co. Inc.

Entity License No. 75742