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Comments on Proposed Rules and Amendments to the Truth in lending Act

Mortgage Brokers are regulated and licensed in the State of Utah and are also required to maintain continuing education prior to licensing renewal. Banks and Credit Unions are exempt from this licensing requirement. The general public does not understand the difference in regulation between banks and mortgage brokers.

Being a broker, I am only allowed to represent one mortgage company in the state of Utah at any one time. However it is possible for me to work as both a broker and as a lender all with the same mortgage company.

I fully support the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, but respectfully oppose the proposal to restrict compensation for mortgage brokers. Mortgage Broker compensation, including yield spread premiums is already disclosed on both the GFE and HUD-1, even though there is no corresponding requirement for lenders to disclose compensation paid to their sales staff. Ay changes to Regulation Z, should include provisions to have this compensation disclosed for both brokers and lenders. There should be no preferential treatment for lenders.
Mortgage Brokers work as an intermediary between lenders and borrowers, and the value the broker adds in the real estate transaction by serving BOTH parties, but representing neither. Disclosure notices should carry a notice that ALL loan originators do not represent the borrowers and do not necessarily offer borrowers the most favorable terms. The distinctions between brokers and lenders have blurred in recent years as lenders themselves typically package and resell loans they originate. All disclosures should apply equally to all originators and not just brokers.

Yield Spread Premiums are much more than just compensation. They are often used to pay certain cost and facilitate the loan transaction. Fees similar to YSP are present in any mortgage origination distribution channel, even if brokers are not involved. Requiring brokers, but not other loan originators, to make additional compensation disclosures will inhibit competition, which will limit consumer choice, increase prices, and hurt borrowers.

It is impossible to give a reasonable precise dollar estimate of fees a broker will charge in a transaction even before an application is submitted because the broker does not yet know the prospective borrower's financial situation, transaction details, type of product sought, or amount of loan, all of which vary as the transaction progresses.

I would strongly suggest that the Federal Reserve Board consider alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators, and encourage competition on price and service.

I further propose that the Federal Reserve Board remove all requirements and references to APR. APR is misunderstood by consumers and most people in the industry. APR can be and is manipulated by unscrupulous lenders and brokers.

Some interesting statistics were presented to me in a conference last fall by two individuals that investigate and prosecute matters of mortgage fraud. Basically the factors were not only 1% of all loan originators commit fraud. And of those that do commit fraud with in the industry, 67% of those are bankers and not brokers.

Additionally, I support and agree with the comments submitted by the CMPS Institute which can be found at http://www.cmpsinstitute.org/pdf/CMPSComments forFRB.pdf.

I wish to thank the Board of Governors of the Federal Reserve for considering my comments.

Sincerely,

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