April 7, 2008

Board of Governors of the Federal Reserve System
VIA EMAIL

In Re: Docket No. R-1305
Proposed Rule Amending Regulation Z (Truth In Lending Act)

Dear Board of Governors of the Federal Reserve System:

Please accept this letter as my position on the Proposed Rule Amending Regulation Z; Docket No. R-1305. I have 5 years of experience in the mortgage broker industry in both Wisconsin and Iowa, as well as branch management experience for almost 4 years here in Iowa.

I have reviewed the proposed rule which, as I understand, is proposed in order to provide added protection to the consumer as to disclosure of compensation to Mortgage Brokers. The purpose, to protect the consumer, is admirable. No one in my industry would argue against ensuring that consumers understand their mortgage transaction; it is in the best interests of everyone, the consumer and the Mortgage Broker, that the consumer not only be informed, but understand the costs of their transaction. However, I believe, that the current disclosures provide the same protection without hindering the ability of the Mortgage Broker to provide services to the consumer.

Mortgage Brokers tend to work with consumers who are unable to secure financing to purchase or refinance their home through a bank due to poor credit, a prior bankruptcy or foreclosure, or, simply because the bank does not offer an affordable product for the consumer. If you remove Mortgage Brokers there would be a significant portion of the population, at large, that would not be able to afford to purchase a home. Mortgage brokers work with clients during a period of time to help establish credit and tradelines for future financing. Without a constant follow up and continued communication these clients would not have the direction to accomplish their goals of increasing their score or establishing tradelines necessary all on their own. This valued relationship of working with one Trusted Mortgage Advisor/Broker from the start to finish is the compliment we receive most from our clients.

The most significant concern I have with the Proposed Rule, Docket No. R-1305, relates to the absence of being able to revise the loan terms which may or may not affect Mortgage Broker compensation. Currently, a Mortgage Broker may revise loan terms, with proper and advanced notice to the consumer. The consumer has a right to reject the revision, and therefore, no harm is done to the consumer.

Currently Mortgage Brokers disclose their compensation as well as the yield spread premium on the Good Faith Estimate and the HUD-1. Remember, the Good Faith Estimate is given to the consumer within 3 days of completing an application for a loan; well before the closing of the transaction. The yield spread premium is actually used to cover the costs to facilitate the transaction; it is not straight compensation to the Mortgage Broker. Consumers are not always aware of their financial strength or weakness, may not be aware of outstanding judgments or the impact of a prior bankruptcy that they "forgot to mention" when they first spoke to the Mortgage Broker. When a consumer comes into my office, I ask basic questions, including but not limited to "how is your credit". Consumers have no idea what their credit is, they may say "fine" or even "good", few will say "poor". It is more often than not that a consumer will tell me their credit is fine, but when I run it, it comes back extremely poor. Poor credit will cause the loan product, meaning terms, to change; including compensation to the Mortgage Broker. The Proposed Rule, Docket No. R-1305, would prohibit me from being able to revise the loan terms as well as my compensation. How many Mortgage Brokers will remain in the industry after they lose money on 3 or 4 loan transactions? This may not concern you, however, in the long run, the average Consumer benefits from being able to secure a home, and without Mortgage Brokers, who offer products that banks do not, said average Consumer will not be able to secure a home; who benefits from that?

It is not understood where the Consumer is harmed by the current regulations, which require re-disclosure if loan terms and Mortgage Broker compensation changes during the transaction. We are already required to re-disclose; that re-disclosure provides the Consumer with the option to withdraw the transaction; no one is harmed. I have attached a copy of the current Mortgage Broker Agreement. Said Agreement is required, for use by myself (a Mortgage Broker) when I initially meet with a Consumer. If you carefully review the Agreement, you will see that the Consumer is well informed and all necessary disclosures are provided.

Thank you in advance for your consideration of my position.

Sincerely,

Jason Heiser
Branch Manager
Ideal Financial Services
West Des Moines, IA