United Security Mortgage

Your Mortgage Consultants...For Life!

6320 E. Kemper Rd, Suite 150, Cincinnati, Ohio, 45241 *Phone: (513) 469-6010*
MB 803168 *Equal Housing Lender* *Fax: (513) 469-6270*

April 1, 2008

Jennifer J. Johnson
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1305

Dear Ms. Johnson:

As a Mortgage Broker from Cincinnati, Ohio for the past 13 years, I would like to give you my opinion of the upcoming vote on the legislation proposed by the Federal Reserve amending Regulation Z. Before I comment, however, I would like you to know that I believe in consumer protection and I think there are some very good points to the legislation proposed.

However, there are some points that I oppose, not only because it will limit my ability to earn a living as a mortgage broker, but because I believe these points will eliminate competition in the marketplace and confuse consumers, making them choose more expensive loans than they would otherwise have chosen, if they had gone through a mortgage broker.

The mortgage broker plays a critical role in the loan process. We serve as an intermediary between borrowers and lenders, the value of which is that we serve both parties, but represent neither. The value of being able to shop several sources for a mortgage for the borrower keeps costs down for the consumer, allowing them to get the best program they qualify for. Just like all brokers, all banks do not carry all products available in the marketplace. More wholesale sources allow for more product selection by the borrower.

Furthermore, mortgage brokers must compete on a daily basis with direct lenders, but the distinction between brokers and lenders has blurred in recent years because lenders will typically package and resell the loans they originate. Consumers are largely unable to distinguish between brokers and lenders, having similar names, similar advertising and using similar signage. I would urge you to consider that because of the similarities, all mortgage originators, whether they are direct lenders or mortgage brokers, be given the same regulations and be made to disclose the same information to the consumer. The consumer cannot possibly make an informed decision between choosing a direct lender or a broker if only one party is made to disclose certain information.

ANY DISCLOSURES REQUIRED TO BE GIVEN TO THE BORROWER MUST EQUALLY APPLY TO ALL MORTGAGE ORIGINATORS, NOT JUST BROKERS.

Throughout my years as a mortgage broker, not once have I considered working for a direct lender. My reason for that choice is that I felt it was not in the borrowers best interest to be limited by one direct lender's products or guidelines. Perfectly good borrowers get turned away from banks every day because they don't qualify for that bank's products. This does not make them unworthy borrowers. But these borrowers become discouraged, believing that they do not qualify for a home loan, and thus give up their dream of home ownership based on one bank's opinion. I have been fighting against that kind of treatment for my borrowers my entire career. And I DO NOT do all kinds of sub-prime loans either. I believe in government products like FHA and VA, Rural development, etc., which many direct lenders do not carry. My borrowers always receive the best loan program they QUALIFY for, and the reason many of my borrowers become home owners is because I can offer them the products of many direct lenders, thereby opening up the world of home ownership to those who may not be homeowners now if they had gone somewhere else.

Yield Spread Premiums (YSP) have been getting much attention over the past year. YSP is used as a source of compensation, but I have always used it as a tool to help my borrowers with less money available to them still be able to own a home. I do that by using the Yield to pay all or a portion of the borrowers closing costs. Here is a good real world example in today's declining market. A borrower is in a sub prime loan and wants to refinance to a better loan. The market has declined and he now owes 95% of the home's current value. He cannot afford to come out of pocket to pay closing costs, but he certainly CANNOT afford to continue to make his mortgage payment on his current loan. The borrower benefits from the refinance even at a rate which pays enough YSP for me to be able to pay his costs and earn a living as well. This is a win-win situation. Another example is when a borrower does not have the cash to pay an origination fee, the YSP makes up that difference for him. Yield Spreads are very useful and are not typically predatory in nature. I have always followed all fair lending laws and income caps on mortgage loans, which for the state of Ohio are currently 5% including all broker fees and yield spread premiums. I cannot even recall the last loan I did where I actually reached the 5% cap. But I CAN tell you that there are Ohio homeowners who are very grateful for YSP because it helped them afford their first home.

The disclosures we are already required to give to the borrower disclose the yield spread and all other broker fees. The Good Faith Estimate and the HUD-1 Settlement Statement both require brokers to disclose YSP. I am not opposed to disclosing these amounts on these documents. I have always done it and it has not impeded my business at all. HOWEVER, I have always been opposed to the fact that brokers are required to disclose these fees but direct lenders are not. I have lost loans to direct lenders who do not properly disclose all of the fees for the loan. I have had countless borrowers call me after closing to tell me that they actually ended up paying more in the end than they would have if they had stayed with me.

In the real world, requiring brokers, but not other loan originators, to make compensation disclosures enables brokers' competition to steer consumers away from brokers, even if brokers offer more favorable loans. This is discrimination in the marketplace and confuses borrowers.

Another point in the proposed legislation that is problematic and unfair to mortgage brokers is disclosing all costs and fees to the borrower, in stone, before the borrower even fills out an application. That would be an incredibly unrealistic way to conduct business. First of all, before the borrower fills out an application, and credit is pulled, there is no way to determine what loan program they qualify for. If the loan program or terms of the loan change during the loan process, then obviously the compensation figures are likely to change as well.

Also, please reconsider the triggers for high cost loans. It will be practically impossible for people to get loans under the current triggers of 3% for first mortgage and 5% for second mortgage. Virtually all loans available in the marketplace today would be considered high cost under those restrictions.

Finally, and really most importantly, I have never tried to hide my compensation from my borrowers. I have always given them a level of service they would not have received by getting swallowed up in the system of most direct lenders. Direct lenders are very aware of their bottom line and of making profits. Borrowers will not be better off going to direct lenders who do not have to disclose their fees and costs like brokers do. Please consider alternatives to the proposed regulation which would protect consumers in their transactions with ALL mortgage originators. I encourage you to consider that a healthy marketplace is one with competition, which ultimately drives costs down. Consumers need to be able to comparison shop, which they cannot do if all originators are not on a level playing field. Parts of the proposed legislation only help direct lenders take more of the market share by eliminating the "little guy" who won't be able to compete effectively in the market.

Also, I know that mortgage brokers are taking most of the heat for the current mortgage crisis. Mortgage brokers do not create the products that are available in the marketplace. We offer our borrowers the products that wholesale and direct lenders have made available in the marketplace. Putting stricter regulations on only the mortgage broker does not solve the problem. It limits or eliminates earning capability for brokers, while allowing direct lenders to soak up the profits. It just muddies the waters even more, and adds to the perception that mortgage brokers are bad. In fact, mortgage brokers are not bad. We are an essential part of the loan processs and I am proud to be a mortgage broker.

Thank you very much for considering my comments and real world examples of how this new regulation will affect not only mortgage brokers, but more importantly, the consumer, which it is meant to protect.

Sincerely,

Jennifer Hammiel

Jennifer Hammiel
President
United Security Mortgage