From: Stewardship Mortgage LLC , Grant M Botma

Subject: Reg Z - Truth in Lending

Comments:

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Comments:
My name is Grant Botma. I am a licensed Mortgage Broker in the state of Arizona. I am commenting on this proposal as a professional that has day to day real world experience in the field. It is my aim to give the reader of this comment an honest perspective of how this proposed ruling (R-1366) will change things. My perspective on this proposal is most likely going to be much different than comments from other Brokers. I actually agree with the initial idea and core concept of this proposal. However, I disagree with the proposed execution of the ideas/concepts. The Mortgage Brokerage I own is Stewardship Mortgage LLC. I started this brokerage after experiencing normal mortgage operations as loan originator. Through that experience I found a problem with the way most mortgage companies operate, and those relevant problems are as follows: 1. Why is it normal for a consumer to be charged a fee that is a percentage of the loan amount they are obtaining (origination fee issue)? 2. Why is it normal for a consumer to be given a higher interest rate than the actual rate they qualify for without their knowledge of that fact (Yield Spread Premium issue)? Both of the above problems I have with typical mortgage company operations deal with the issues at hand in R-1366. The basis of those issues is compensation. As the owner of my own brokerage I decided to deal with those problems and operate Stewardship Mortgage LLC different from what is normal. At Stewardship Mortgage LLC we DO NOT charge a percentage of the loan amount for an upfront fee. Why should a customer be charged more because their loan amount is more? Is the originator and/or mortgage company that is originating the loan working harder because the loan amount is higher? From my experience borrowers seeking higher loan amounts are typically more organized and are easier customers to originate loans for. As a result, Stewardship Mortgage LLC charges a flat fee for all loans originated. We have a simple flat fee system that is not a percentage, and not based on the loan amount. Furthermore, Stewardship Mortgage LLC DOES NOT collect Yield Spread Premium on any loan without the customers knowledge. As a matter of fact we take it a step further.

All of our customers are educated on how mortgage professionals are paid (upfront costs, and YSP alike), and shown the true "par" (par = no Yield Spread) rate they qualify for. With that knowledge our customers are given the opportunity to choose how the originator is compensated. What way of compensation is best for the customer? Does the customer want the lowest rate possible, or are they willing sacrifice a portion of their rate to lower the upfront costs? What method of compensation helps them best meet the goals associated with the mortgage transaction? The Stewardship flat fee approach goes beyond the seen upfront costs but to the "behind the scenes" Yield Spread Premium. Stewardship Mortgage LLC seeks to make a flat amount on each transaction regardless of loan amount, with the method of compensation chosen by the consumer. Every dollar collected on a transaction is truly properly disclosed to the borrower(s). As you can see, I deal with compensation to the originator differently than most, and it is my opinion that this approach is what is best for the consumer. Does R-1366 deal with the problems I have with the way mortgage professionals are compensated? Yes. But is the way in which it deals with the problems correct? NO! Currently, Yield Spread Premium is a powerful tool for my customer's. It gives them the opportunity to have some control over their rate and the fees paid to my brokerage. If YSP is taken away as proposed then that consumer benefit would also be taken away. The consumer freedom of choice on how their mortgage transaction is structured would be gone! Do brokers take advantage of Yield Spread Premium? Yes. But a different set of accountability and disclosures would better cure the problem them simply taking YSP away. Taking Yield Spread Premium out of the picture is taking away certain consumer advantages and choices. Additionally, the flat fee structure proposed would put Mortgage Brokerages at risk. Through the proposed plan the Broker may have to prove a transaction was in the best interest of the customer. That fact would be extremely hard to prove with the proposed plan because each lender would have a separate compensation agreement with each broker. The paper trail and complications of that on top of the already complicated variables in a mortgage transaction would open a Mortgage Broker up to law suits from several directions. This would in turn increase the amount of overhead to the Broker by way of insurance and other needed policies/procedures. That increased risk/overhead combined with the possibility of decreased income through the new plan would put several Mortgage Brokerages out of business. It is a well know fact that wholesale mortgage brokes most often times offer lower rates than banks or correspondent lenders. So, if Brokers are put out of business the consumer again losses out. In summary, I agree that the way Mortgage Brokers are compensated needs to be changed. BUT the proposed plan is not the way to change it. The proposed plan hurts the consumer more than it helps. The proposed plan leaves the consumer with less options, and prevents them from obtaining a fantastically structured mortgage similar to the ones that are currently being executed with today's regulations. Create more accountability for Brokers and more disclosures/information for consumers. But DO NOT take away choices. If anyone would like to contact me regarding these comments or how my business is currently structured I would be more than happy to help. Grant Botma - Stewardship Mortgage LLC