

From: Archwood Mortgage, LLC, Roland Varblow
Subject: Reg Z - Truth in Lending

Comments:

I have comments about the proposed Federal Reserve changes to Mortgage Originator compensation as found in the Federal Register Vol 74, No. 164 page 43407 et al.

First, I am the majority owner of Archwood Mortgage, LLC, a state-licensed, privately-owned, small business mortgage lender based in Fairfax, VA. We currently have 11 employees.

I have been both a mortgage originator and owner/manager for 16 years working in the greater DC area, always for small businesses, including 5 years running the mortgage operation of a very small federally chartered thrift.

I have signed my name to over 7,000 mortgage loans in my career as either the loan originator or as the corporate officer with final approval authority. I have originated and/or signed for fewer than 10 (ten) sub-prime loans or Option-ARMs in my entire career.

My comments are based on the perspective of an originator and business owner who caters to high-quality borrowers who are treated fairly and honestly at all times.

I offer the following about the proposed loan originator / mortgage broker compensation restrictions in 12 CFR 226.36 et al:

1. Most Loan Originators work for small businesses. Most Mortgage Brokers are small businesses.

The Regulatory Flexibility Act of 1990 required federal agencies to include the effects of their actions on small businesses. The Small Business Regulatory Enforcement Act of 1996 enhances the rules of the 1990 Act and gives small businesses the right to sue agencies to protect themselves. It looks like by banning payments from lenders to brokers, you'll shut down this type of business. By banning loan originators from being compensated for the profitability of the loans they originate, you'll damage the businesses of thousands of small companies and drive customers to the Big Banks. What have been your steps to comply with these laws?

2. Your proposal 226.36(d)(1)

3. Why aren't you proposing that Realtors or Title Insurance Companies or Local and State governments all get paid flat fees instead of percentages of the loan or sale amount? Are their lobbies simply too powerful? Why not car salesmen? Any salesman for that matter?

4. Treasury Securities are bought and sold at prices that are directly connected to their terms AND the effects of the market. Your assertion in 226.36.(d)(ii) that you should control pricing on mortgages to stop that simply smacks of socialism, perhaps the Central Planning Office in the former Soviet Union, you pick. It's astonishing to me as an American citizen that you would

drive to push the government so far into the operations of the market as to completely upend the entire system. All to benefit "Big Banks".

5. Please carefully define "terms and conditions" so as to make clear which you intend to include in your ban. Loan amount, note rate, APR, discount points, origination fee, premium pricing/YSP/SRP, FICO-based adjusters, or any of a hundred other items which characterize a loan. Your lack of clarity drives unnecessary law suits.

6. 226.36(d)(6) is Outrageous! I cannot as the business owner pay a loan originator less money for making me less money? If he has to compete to get a loan, I can't pay him less for squeezing our margins to get a deal?? What kind of absurdity is that? I can't beat Wal-Mart. No one can. Your proposal simply empowers larger originators who can most afford to squeeze their own margins - by beating up their supply chains with their clout or by paying their employees less - to the detriment of a smaller originator. That's just un-American to have the US Government play that role. Worse, you empower those who would employ the cheapest, least experienced personnel to take mortgage applications so that they simply drive out professional mortgage originators. What are you thinking???!!!

7. Apparently, there is some thought in the Federal Reserve that "most originators get paid based on loan amount already" - that is simply not true. Most originators get paid based on the revenues or profits that they generate. For example, Wells Fargo - the largest originator in the country - pays a certain amount of basis points per loan (that is - payment based on loan amount) COUPLED WITH revenue adjustments that a) reduce originator compensation when he/she had to lower their rates or fees to win business or b) increase compensation when they satisfied a customer with a higher rate. No company can afford not to do this - paying the same compensation to an originator who lowers fees to win business is suicidal. And yes, loan officers do get paid more if they earn higher revenue per loan as well. This is America, remember?

There are many, many additional items in your proposal that are shocking. I just don't have time to go through them all - I'm busy trying to help my customers.

It is my professional opinion that your proposed compensation changes will:

a) Unduly affect the operations, profits, and livelihoods of small mortgage businesses across America to the benefit of "Big Banks." Small businesses win customers in the marketplace precisely because "Big Banks" fail miserably to provide customer service, they hide behind 800 numbers, and they pretend that marginally trained, salaried staff located 3,000 miles away can hope to make borrowers feel like their loan matters most.

b) Chasten entrepreneurial spirit of those individual originators who are honest and highly skilled and best able to help the American home owner.

c) Further support the Big Banks who caused and/or facilitated the housing crisis that now plagues our country - that happened on your watch!

d) Dumb Down the basic loan originator to the level of order taker. Just because you in the Federal Reserve are happy getting a salary that doesn't change, doesn't mean that everyone wants that. Sales people work hard to make money, and they earn their ability to do so by being smarter and working harder

than the next guy. Your changes would simply erase their drive to do so.

I look forward to your extensive corrections of this misguided attempt to socialize the mortgage market.

Roland Varblow
Archwood Mortgage, LLC