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Comments:

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Proposal: Proposed Guidance on Sound Incentive Compensation Policies
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Correction to early posted comment. 3rd sentence in 3rd paragraph should read: Federal regulators told the banks that if they did not offer these loans that are available from Wall Street, they would face the Justice Department through Equal Credit Opportunity Act and denied acquisitions and/or mergers with other banks through Community Reinvestment Act. Federal Register /Vol. 74, No. 206 /Tuesday, October 27, 2009 /Notices Proposed Guidance on Sound Incentive Compensation Policies "Pure and simple why this proposed regulation on mortgage originator compensation will do absolutely nothing for banks' safe and soundness. FACT: Mortgage originators DO NOT approve loans that become a part of a bank's assets. FACT: Underwriters are the only bank employees that have authority to determine the risk of a loan and award the loan to consumer. This is the check and balance that sound banks have in place. It is ONLY the underwriting department of banks that have the ability to put mortgage assets on the bank balance sheets that can affect safety and soundness of banks. Yes, executives have the authority to authorize underwriters to take risk that could affect a bank. Historically, occasionally this has occurred; but it did not happen with dangerous frequency with residential loans until after repeal of Glass-Steagall Act. We know this housing crisis is the result of the Federal government first repealing the Glass-Steagall Act in 1999, and then encouraging Wall Street to create loans for people with bad credit & no money down and rating companies to mask the credit ratings to these loans. Once that was achieved, the Federal government threatened the banks to make the loans that historically they would not because of the high risk in people with bad credit & no money down. Federal regulators told the banks that if they did not offer these loans that are available from Wall Street, they would face the Justice Department thru Equal Credit Opportunity Act and denied acquisitions and/or mergers with other banks thru Community Reinvestment Act. They would have community activist protesting at the banks' front doors

with the sensationalizing media in tow. The mortgage industry had for decades the subprime loans, stated income loans, negative amortization loans, pre-payment penalty loans, zero point with higher rate loans, many points with lower rate loans, and appraisals ordered by mortgage originators. During those decades the housing market worked very well. Back in those days, we had the Glass-Steagall Act to protect banks from the pressures of politicians and regulators to make those high risk loans (bad credit no money down). This is the source of the housing crisis. The rest of the perfect storm never would have occurred had it not been for politicians and regulators abusing their powers. Wall Street would not have had the green light to create the high risk loans, rating agencies would not have the green light to give false ratings on these masked high risk collateral backed securities, and banks would not have had the green light to originate and approve these high risk loans, and finally the consumers would not have obtained these high risk loans. Yes, the mortgage industry worked very well until pressured by removal of Glass-Steagall Act and federal government intrusion with their politically motivated social engineering of our homeownership market. All this overzealous regulation on the mortgage industry is continued cover-up that the federal government's actions led to change which caused the mortgage industry breakdown. Now it is time to let the mortgage industry get back to the decades long success of serving the public by providing responsible consumers with home loans and the investors of those loans solid rates of return. This was accomplished with MUCH fewer regulations then exists today. The private market has served our country very well without heavy handed Central Planning government
intrusion into the relationships of consumers and their product & service providers. This proposed regulation is nothing more than an insult to the majority of our citizens' ability to manage their choice & control. It is the destruction to the unique character of the United States real estate market; citizens control their destiny not a Central Planning government. Do not implement this far out of touch with the realities of our residential real estate finance system. It does not acknowledge that underwriters with the authority of their executives are the only means for risky residential mortgage loans to get onto a bank's balance sheet. Mortgage originators have no authority and their compensation is irrelevant to the approval of these loans by underwriters. It should be the consumer's control on the financing options (combination of interest rate, closing cost and loan terms) they choose to best serve their interest when they shop for a loan. This is balanced with theunderwriters' control on if this loan meets the criteria of a sound home mortgage loan. Nowhere does a mortgage originator have the final say. You will have consumers that shop at Neimum Marcus to Walmart; Ferrari to Hyundai and everything in between. Our country allows the consumer to have these choices without a Central Planning government believing our country is at risk because of that freedom of choice. By the way, these same consumers that our Central Planning government indicates are not capable of knowing how to shop for a mortgage loan; are entrusted with the ability of free choice in their votes at election time."