

From: ELB Mortgage Brokers, Inc., Louise Rose  
Subject: Reg Z - Truth in Lending

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Comments:

If third party loan originators are prohibited from receiving compensation from the lenders whose products they sell (broker compensation or YSP - Yield Spread Premium) it would create an unfair competitive advantage to the banks. The loan originator would need to charge the borrower directly in order to get paid for originating the loan for the lender. The lender would be in a position to make more money on the same interest rates they offer. Currently, retail banks are offering the same interest rates as the third party originators are offering. The broker, or third party originator, bears the cost of the bricks, mortar and employees the lender does not need to maintain in order to get the additional business from the brokers or third party originators. Please keep in mind that it is the bank or wholesale mortgage company that funds every mortgage that the broker or third party originator sells them.

Also keep in mind that the closing costs to the borrower are already subject to a high cost ceiling. In Illinois this is 5%, including all processing, underwriting, title fees, etc., that are charged to the borrower. There are ways to protect the borrower without taking away the living of the broker or third party originator.

Currently, if the loan closes in the loan originators name, the broker compensation or YSP does not need to be disclosed on the HUD-1 Settlement Statement. If the loan closes in the name of the lender, not the originator, the YSP the broker or third party originator receives does need to be disclosed on the HUD-1. This already creates an unfair playing field for third party originators.

As recently as the early 1990's, the bankers were enjoying all or almost all of the mortgage lending business and profits. When the broker came on the scene the borrower enjoyed lower interest rates and closing costs as the brokers created a competitive situation with the banks, and in a relatively short time, the broker's gained the majority of the mortgage origination business up until the current financial debacle.

The federal government has already bailed out all the banks who got caught with their pants down on the sub-prime mortgages that the government mandated that they finance to spread the "American dream" of home ownership. These loans were sold off in a ponzi-like scam to all kinds of investors: Retirement funds, other countries and communities, etc., who ended up in bankruptcy.

There has been huge damage to the general public in the form of job loss than the third party originator could ever dream of creating.

The reputation of the mortgage broker as been maligned enough without now creating injury to insult.

Please strongly consider what passing this kind of regulation will do to the competitiveness of the mortgage loan origination business and "Vote NO" to this issue.

Thank you for your time and consideration,

Louise Rose  
ELB Mortgage Brokers, Inc.