PrimeLending
A PlainsCapital Company

Friday, December 18, 2009

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20511

Re: Proposed Changes to Closed-End Mortgages Rules (Docket No. R-1366)

Dear Ms. Johnson:

Nearing 18 years experience in the mortgage and real estate industry, my knowledge of home financing is outweighed only by my dedication to providing quality service to my clients – the homeowner. When I first read the proposed rule amending Regulation Z I automatically was reflected back to the subprime mortgage industries complete and ignominious failure. Initially the subprime market was a promising excrescence augmentation of the real estate market for homeowners that deemed themselves worthy of second chances but quickly turned into a mishandling desecration of malfeasance for the unbeknownst homeowner resulting in the onslaught avalanche annihilation of the homeowner industry as we once knew it. In the subprime's peak of growth the lending process was based on risky loans with no risks involved to the loan originator only to the new homeowner. The plethora of unknowledgeable homeowners with no agenda on how to retain their new home was brought on by the loan originators ineptness not to supply the client with the needed tools for the new homeowner – Knowledge. With this being said I agree additional consumer protection in the residential mortgage loan process is needed and should be implemented. However, I have deep concerns with the proposals regarding loan originator compensation and how this affects the homeowner's best interest.

My clientele database is made up of repeat customers because I take pride in providing top notch customer service with the client understanding the whole home process transaction from beginning to end. Before the end of the transaction the clients have felt they have received a home purchase 101 class ranging from reviewing, understanding and deciding on different financing options to deciphering the HUD prior to closing resulting in an A+ in class. To achieve this with all of my clientele takes a great deal of time. As with any other service there is an allotted time estimated in the beginning of the job. If the job entails more time and services than estimated in the beginning, the servicer is compensated for the additional time and charges. This same premise applies to the current compensation for the loan originator. In order to compensate for going over the estimated time needed to review the cumbersome amount of information with the client before completing the home transaction a slightly higher rate or fee is charged. Often, the client will opt to have a higher rate to reduce their closing costs because they understand I will not charge an origination fee on the higher rate this in turn will reduce their final closing costs.

If the proposed rule prevents mortgage lenders from paying adequate compensation to their loan officers for transactions with unforeseen barriers, loan officers will be more inclined to do a quick overview of the loan transaction with the client rather than taking the time to go over the entire loan process step by step turning what the client sees initially as tedious boulder barricades into the straightforward, uncomplicated stepping stones of owning a home. Loan originators primary focus would be to concentrate on producing more units closed to make up for the loss revenue with this proposal rather than achieving a fully knowledgeable homeowner. The unfortunate consequence of this proposal is it will make it even harder for many deserving consumers to obtain a mortgage loan in deserving communities due to lack of knowledge of the process and programs resulting in a whole new cycle of the ineptness loan officer not having a knowledgeable new homeowner at the conclusion of their transaction.

If the Board adopts the proposed restrictions on loan originator compensation, **the limits should apply only to riskier products that were at the heart of the subprime meltdown.** The conventional loans do not create the same potential for abuse. The Board should exclude these loans from the restrictions on loan originator compensation and allow for pricing discretion on these loans.

Bottom-line, the compensation structure, the documentation structure, the Regulation Z structure does work when you have a cognizant loan originator doing the transaction. So **the new SAFE Act requirements for loan originators, including extensive background checks and rigorous testing and continuing education requirements will significantly dissipate the past abuses that brought on the onslaught of restrictions. The Board should wait to allow the SAFE Act a chance to work before implementing restrictions that are burdensome to the client as more documents to sign rather than the comprehensive knowledge they retained from the competent loan originator.**

Once again, thank you for the opportunity to comment on the proposed rule.

Respectfully submitted,

Rhett Broussard

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