

December 17, 2009

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave NW  
Washington DC 20511

RE: Docket No. R-1366 Proposed Changes to Closed End Mortgage Rules

Dear Sir or Madam;

I appreciate the opportunity to comment on the Regulation Z proposed rule on closed-end mortgages. I am a loan originator in Florida and have been in the financial services field since 1979. Having originated my first mortgage in 1981, I have seen many changes and cycles in our industry, and the subprime meltdown is certainly the most challenging since the S&L crisis in the late 1980. The consumer certainly needs some protections and many of the changes that have been instituted should provide those protections if given the opportunity to work. One of the proposals contained in the docket does raise some concerns with me, however, and that is with the loan originator compensation.

Professional development is an important aspect of being able to offer superior advice to potential clients. As such, I have taken numerous courses and attended many seminars. I earned the Certified Mortgage Professional designation from two different states before the SAFE Act was implemented. I have worked for small banks, medium-sized lending institutions, mortgage brokerages and mortgage bankers. In all of those positions, I have spent a lot of time with couples and individuals to give them sound advice as they pursued the best programs to help them purchase homes or to refinance. Sometimes, that advice was to do nothing. The educational aspects of the SAFE Act are important despite the exemptions for some loan originators present in the legislation.

Compensation paid to the lender and in turn to loan originators is sometimes determined by the complexity of the transaction. And, the consumer is afforded a choice between a lower rate with higher closing costs, or a higher rate and lower closing costs. The compensation to the lender varies little, if at all, based on the consumer's preferred option. The same holds true for the loan originator. Consumers will often select a higher rate as funds are not available from their resources to do otherwise.

The tighter underwriting standards now present for conventional and government-backed loans such as VA & FHA will remove many of the risky aspects that led to the problems we now face. Having professionals to give guidance to consumers in these complex times are more important now than ever. The proposal to limit employers compensation to loan originators will lead to a possible exodus of the most experienced originators at a time when consumers need them most. [Many of the problem originators have already left the industry].

If call centers become the new business model, it is likely they will be staffed with originators that are exempted from the SAFE Act and therefore only need to be registered and not subject to other licensing and educational requirements. They will not possess the knowledge consumers need. The consumers, who are supposed to be protected by the Act, will not receive the expert advice, and will likely never see their originator face-to-face. It will likely run counter to the objectives outlined by the SAFE Act. Consumers will not have the guidance they need in pursuing a transaction that has any complexities at all and the call center origination model in a large part was responsible for the situation we find ourselves in today.

The Board should allow the SAFE Act adequate time to work before adding rules that address the compensation of loan originators. Consumers, with the new RESPA revisions, will have the tools necessary to shop if a lender is not priced properly in the marketplace. If these changes are not given time to work, the objectives of those changes will not have an opportunity to be met.

Thank you once again for allowing the opportunity to comment on the proposed rule.

Respectfully submitted,



Paul E. Chandler,