



NMLS # 167888

815 East Parkway, Suite 2 Russellville, AR, 72801
479-967-3311 Fax 967-3315
877-218-3311

December 16, 2009

FEDERAL RESERVE BOARD
Room MP-500 of the Board's Martin Building
20th and C Streets, NW,
Washington, D.C.

RE: Proposed Changes to Regulation Z (TILA) / Docket No. R-1366

To Whom This May Concern:

This letter is in protest of the Proposed Changes to Regulation Z referenced above as it pertains to elimination of Yield Spread Premiums and the variances in regulations as they pertain to brokers versus bankers. I am a Broker / Vice President of a mortgage company in Russellville, Arkansas, and also a Board Member of the Arkansas Association of Mortgage Professionals. I have over 25 years experience in the real estate industry - as a Nationally Certified Legal Assistant Specialist (Real Estate and Corporate/Business Law); as a loan assistant in banking; as a mortgage processor; as a compliance officer; as a loan officer; and now as a broker.

The Board's proposed elimination of the Yield Spread Premium (YSP) will potentially put me and other small mortgage brokers out of business. During this time of economic and mortgage crisis, rather than promoting competition to reduce lending fees, stem job losses, and provide home owners with the best mortgage products available to meet their specific needs; you will be doing exactly the opposite.

First, the YSP is used as an income tool to reduce fees I would otherwise have to charge my clients. Generally, I am able to charge a 1% origination fee for each different loan product, a \$200 processing fee, and earn a 1-2% YSP. Should the YSP be eliminated, I would then have to charge my clients an additional 1-2% origination fee in order to cover my operating expenses and earn a profit. Should this happen, I would be unable to compete with the local banks who may charge only a 1% origination fee while earning an undisclosed premium spread, be in YSP or SRP. If you are seeking for more transparency, then why do you continue to allow banks to be exempt from full disclosure of fees earned?

Second, should I be unable to compete with the local banks I would be forced out of business. As you are fully aware, approximately 375 lenders, including federally insured banks, have imploded. My ability to find suitable employment is greatly diminished, which could result in my family and my employees joining the ranks of

families struggling to hold on to their homes. My husband is a police officer of 25 years and we all know public servants are underpaid, especially in small communities. Not only would I possibly require unemployment benefits, but many clients that I am able to help refinance would suffer. Recently I had a woman in my office in tears because the bank raised the interest rate on her credit card from 4.9% for life to 29.99% and increased her principal monthly payment from 2% to 5% which tripled her payment. I was able to assist her with an FHA refinance which lowered her total PITI, lowered her mortgage interest rate, allowed her to pay off her outrageously high interest rate credit card, and still left money for her to repaint her home. She is now in a positive cash flow position. She came to me, not her local bank.

This summer I provided a Rural Development refinance loan for a single mom, reduced her interest rate by 1% saving her over \$33,000 over the life of her loan in interest charges, and reduced her total monthly PITI by \$56. She brought no money to closing and I charged her no origination or processing fee. I was able to earn my income completely from the YSP and yet still lowered her interest rate and total PITI. Had the YSP been eliminated, I would not have been able to help this client with a no cost loan.

Last week I had another client referred to me from her realtor because Bank of America wasn't communicating the status of her loan with her. The bank originator said she had to speak with the mortgage processor, not him. Since when is the originator not the point of contact with the client? She is a self employed borrower and he asked her what her income for the past two years was; she indicated to him what her "earnings" were. He proceeded with turning her loan in for processing, she paid \$475 for an appraisal, and now they are asking her for more income documentation. The first thing I asked her to bring me were her last two years tax returns so I could accurately calculate her income, which we all know is based on her adjusted net income, not her earnings. Her average monthly income is only \$383, and yet the bank has her income listed on her 1003 at \$2,083. She sold her previous residence because she knew she needed to downsize with her business struggling in this economy and now lives in a travel trailer while waiting to close on her new home purchase. There is no way she can qualify for a home loan and she has now spent money should could ill afford to lose. Requesting and reviewing income documents is loan officer 101, which is a prime reason why all mortgage originators should be required to have continuing education and testing – why did the bank originator not perform due diligence?

I have had several Hispanic clients ask me to please help them obtain a home loan with a decent interest rate. Some are US Citizens, others are Permanent Resident Aliens, and still others are Non-Permanent Resident Aliens with family members translating for them. My husband's grandmother was an Indian and he is Hispanic. I have witnessed the prejudices he has endured over the years and I assure all of my clients that I look at them no differently than any other client. I put myself in their shoes (going further than what ECOA requires us to do). I have lost sleep over clients when I could not help someone who truly deserved to be a home buyer or needed to refinance. I constantly read publications and lender updates to try to stay abreast of the ever changing programs and underwriting guidelines. I try to place their loan with the best programs and lenders I have; however should that program or lender fail to approve their loan, I then seek the next best option, not simply saying I'm sorry and turning their loan down. They do not know the programs, that's why they come to me and trust me to do what is right for them. I have read that The Board feels that mortgage brokers place their fiduciary duty with the lender and not their client. Just like The Board has a responsibility to oversee regulations to stabilize the industry, it must also strive to protect homeowners. One person and one entity cannot have its sole responsibility to one party. How could The Board then expect mortgage brokers to have only the best interest of their client in mind, without also trying to protect the interest of their wholesale lenders?

Since opening my new business on April 1, I have taken 117 loan applications and only closed 31 clients to date, with 5 in line to close this month and 6 still looking for the right home. This is a clear indication that the secondary market has and continues to tighten its underwriting guidelines. And now The Board is seeking to eliminate the YSP which may eliminate the mortgage brokers and would reduce the number of clients who can qualify to purchase or refinance.

I am fully aware of unprofessional and unethical mortgage originators; of the sub-prime lending programs and the inherent fraud thereof; and of appraisers being pressured to meet certain valuations. I left my previous employer of 7 ½ yrs after the owner/broker plead guilty to felony possession of cocaine with intent to distribute. For reasons I am unaware, he received probation and continues to this day to operate his mortgage company. The S.A.F.E. Act should help strengthen the integrity of the remaining mortgage originators; although it too is placing rules and regulations on mortgage brokers that bank originators do not have to adhere to. I think it is wonderful that every loan originator can be tracked by the NMLS. However, if you are trying to protect homeowners then why aren't all mortgage originators required to adhere to the exact same rules, regulations, disclosure requirements, testing, and continuing education requirements?

The sub-prime lenders and their programs are non-existent, they will most likely not return. Mortgage originators did not create the programs, the wholesale lenders/bankers did. We submitted clients based on the programs they promoted and made available to us. The old adage buyer beware has somehow been dismissed during this mortgage crisis. While I would expect any professional that I seek for services to be truthful and trustworthy, ultimately I can choose to continue with that individual or take my business elsewhere. I do not believe any single individual has had a gun held to their head forcing them to sign loan papers that showed their income was more than they knew it to be. And the HVCC has taken appraisal ordering out of the originators hands. The HVCC has its principles in the right place; however, its procedures have resulted in slower turn-times for receiving quality appraisals along with numerous other issues which are addressed in other venues.

As a small business owner my company survives based in part on the efforts I put into it. I work longer hours than the average bank originator - I know this from being a former banker. I have a vested interest in obtaining the best loan for my clients because if their loan does not close - I do not earn income for my company, whereas the bank originator is paid regardless. I do all that I can to keep expenses down - and in doing so have satisfied clients which is my best and most productive form of advertisement. Nothing has more positive impact on my business than referrals from satisfied clients and realtors who seek me as a mortgage expert that they can trust.

I am in hope that some of the information and examples I have provided herein help The Board render a decision that does not eliminate the Yield Spread Premiums and allow the mortgage brokers to remain and viable option for home owners.

Respectfully,

Traci Ramirez, Vice President

tramirez@suddenlinkmail.com

AR State Board Member NMLS # 140987


National Association of Mortgage Brokers

