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Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

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I am writing in opposition to the proposed rule changing Regulation Z known as Docket No. R-1399 option A.

I just closed a loan for a teacher who is also a single mom. She had applied for a down payment assistance program through the city where she lives but the city ran out of funds while she was still in escrow. I was able to convert her financing to an FHA loan and using the yield spread premium I was able to reduce her closing costs by $4000. That made the difference between her getting the home versus not getting it. The proposed restrictions on loan originator compensation would eliminate choices like this and set us back to a time when "on a teachers salary it is impossible to save enough to buy a home"

I have been a Loan Originator for 30 years. The abuses of the last few years needed to stop. The market has already eliminated the worst offenders among both the Loan Originators and the Lenders. Looking ahead, HUD just introduced a new Good Faith Estimate after 6 years of study that will provide transparency and eliminate the small minority of loan originators that would try to abuse the benefits of ysp. The Board may be concerned about installing safeguards to prevent a reoccurrence of past abuses. There are numerous rules already in place that were not enforced. Putting resources into enforcing those rules, instead of industry crippling new ones, would make all the difference.

Restricting loan originator compensation as proposed is a way to fight past problems that have already been eliminated. The over reaching effect would be to wipe out many loan originators and set up a price fixing environment that a few large banks could manipulate. Currently, lenders across the board have restricted the maximum compensation that can be paid to loan brokers. The ysp, and all other fees, are restricted so that the interest rate a buyer gets simply can't be raised to an extreme degree, in an attempt to increase the ysp, resulting in monthly payments that are unaffordable. Indeed, even the most unsophisticated buyer must now qualify for a definition of affordable that includes strict debt to income ratios. If the interest rate is set arbitrarily too high, the buyer simply will not qualify, the cost of the loan will exceed already set and enforceable limits, and the loan would not be approved. Today's buyer simply will not accept the loan anyway.

The proposed rules if passed, would have the disastrous effect of increasing unemployment buy eliminating thousands of jobs in the real estate finance industry, reducing the availability of real estate loans while raising costs to home buyers and gravely damaging the fragile housing recovery.

Blair Herbert
Mortgage Broker