Cornerstone
Mortgage Company®

Specializing in Residential Mortgage Lending

December 23, 2009

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

Dear Ms Johnson:

As Executive Vice-President of Cornerstone Mortgage Company (CMC), an independently and privately held mortgage company in business for over 22 years, I am pleased to offer my comments on the Regulation Z (Truth in Lending) proposed regulations and specifically the regulations pertaining to loan officer and mortgage broker compensation proposed under the Federal Reserve Board's (FRB) HOEPA authority. CMC ranks 28th in total mortgage originations nationally through the 2nd quarter of 2009.

I believe the proposal will have unintended negative consequences on consumers.

- It will increase rates for borrowers at the lower end of the borrowing spectrum.
- It will increase the cost of mortgage financing for all consumers.
- It will decrease competition.
- It creates a disincentive on the part of originators to work on small and difficult loans.
- It will be impossible to regulate.

I believe the free market should be allowed to work.

- The free market is backed up by recent HMDA data.
- Excessive regulation will decrease competition.
- Excessive regulation will increase the cost of obtaining a mortgage.

I believe wage and price controls don't work in the free market economy.

The real truth behind the financial meltdown shows that loan officer and mortgage broker compensation should not be regulated.

- There was an expansion of the money supply by the Federal Reserve
- There was increasing pressure on Fannie Mae and Freddie Mac by Congress to lower credit standards in an effort to make homeownership available to more people.
- Consumer fraud is widespread and they aren't held accountable by current laws already in existence – how will another regulation prevent fraud?
- Regulated entities developed the "high risk" product.
- Non-regulated lenders were only distributors and were already highly regulated by Fannie Mae, Freddie Mac, state lending laws and the investors they sold their loans to, not to mention the overabundance of existing federal laws.

I believe a more targeted solution would be to not pay a loan originator, directly or indirectly, compensation in an amount that is based on any of the transaction's terms or conditions, if the transaction; 1. Has an annual percentage rate that exceeds the FFIEC Average Prime Offer Rate by more than 1.5 percentage points for a comparable transaction as of the date the interest rate is set, or 2. Is deemed a "non-traditional" mortgage under guidance, advisories, or regulations prescribed by the Federal Banking Agencies.

I urge the FRB to re-consider their alternatives for loan originator compensation. I believe this proposed regulation would negatively affect the mortgage lending industry for years to come and increase the cost of a mortgage to the consumer.

Sincerely,

Julie Piepho
Executive Vice-President

1177 West Loop South, Suite 200 • Houston, Texas 77027 • (713) 621-4663 • Fax (713) 621-0210