From: "Elliott Webb" <elliottw@idealfinancial.com> on 04/07/2008 08:30:04 PM

Subject: Regulation Z

April 7, 2008

Board of Governors of the Federal Reserve System
VIA EMAIL: regs.comment@federalreserve.gov

In Re: Docket No. R-1305
Proposed Rule Amending Regulation Z (Truth In Lending Act)

Dear Board of Governors of the Federal Reserve System:

Please accept this letter as my position on the Proposed Rule Amending Regulation Z; Docket No. R-1305. I believe I am qualified to submit said position, as I myself have 3 years of experience in the mortgage broker industry and 3 years with a direct lender.

I have reviewed the proposed rule which, as I understand, is proposed in order to provide added protection to the consumer as to disclosure of compensation to Mortgage Brokers. The purpose, to protect the consumer, is admirable. No one in my industry would argue against ensuring that consumers understand their mortgage transaction; it is in the best interests of everyone, the banks, the consumer and the Mortgage Broker, that the consumer not only be informed, but understand the costs of their transaction. However, I believe, that the current disclosures should provide the same protection without hindering the ability of the Mortgage Broker to provide services to the consumer.

Think about it like a restaurant. The Mortgage Broker is the waiter (the middle man), Banks are the chefs (they cook up the programs; arms, interest only, fixed mortgages etc). My job as the waiter(broker/middleman) is to communicate and serve to the client the best options that the chef (bank) has to offer. The prices are all on the menu (RESPA Documentation), and once the terms and conditions are agreed upon, dinner is served. When you go to a restaurant, are you upset if you do not know how much the cow cost that provided your steak? As harsh as it will sound, if mortgage brokers are unable to receive compensation then the consumer will not have access to mortgage loans and will not be able to achieve the American Dream of owning a home.

It is important that everyone remember that Mortgage Brokers provide a service that banks do not. Mortgage Brokers work with consumers/clients who are unable to secure financing to purchase or refinance their home through a bank due to poor credit, a prior bankruptcy or foreclosure, or, simply because the bank does not offer an affordable product for the consumer. If you remove Mortgage Brokers there would be a significant portion of the population, at large, that would not be able to afford to purchase a home. In essence this proposed rule may be more of a hindrance than a help.

As you are aware, currently Mortgage Brokers disclose their compensation as well as the yield spread premium on the Good Faith Estimate and the HUD-1. Remember, the Good Faith Estimate is given to the consumer within 3 days of completing an application for a loan; well before the closing of the transaction. The yield spread premium is actually used to cover the costs to facilitate the transaction; it is not straight compensation to the Mortgage Broker and very few mortgage brokers keep 100% of the yield spread, I receive 42% of the yield spread as commission and my company uses the remaining 58% for office overhead (lights, phone, internet etc.).

The most significant concern I have with the Proposed Rule, Docket No. R-1305, relates to the absence of being able to revise the loan terms which may or may not affect Mortgage Broker compensation. Currently, a Mortgage Broker may revise loan terms, with proper and advanced notice to the consumer. The consumer has a right to reject the revision, and therefore, no harm is done to the consumer.

Anyone who is familiar with the average loan transaction is aware that consumers are not always aware of their financial strength or weakness, may not be aware of outstanding judgments or the impact of a prior bankruptcy that they "forgot to mention" when they first spoke to the Mortgage Broker. When a consumer comes into my office, I ask basic questions, including but not limited to "how is your credit". Consumers have no idea what their credit is, they may say "fine" or even "good", few will say "poor". It is more often than not that a consumer will tell me their credit is fine, but when I run it, it comes back extremely poor. Poor credit will cause the loan product, meaning terms, to change; including compensation to the Mortgage Broker. The Proposed Rule, Docket No. R-1305, would prohibit me from being able to revise the loan terms as well as my compensation. How many Mortgage Brokers will remain in the industry after they lose money on 3 or 4 loan transactions? This may not concern you, however, in the long run, the average Consumer benefits from being able to secure a home, and without Mortgage Brokers, who offer products that banks do not, said average Consumer will not be able to secure a home; who benefits from that?

Thank you in advance for your time and consideration of my position.

Sincerely,

Elliott Webb

Elliott Webb
Account Executive
Ideal Financial Services Corp.
http://IdealFinancial.com
Toll Free#: 1-877-230-3400
Local #: 1-515-327-7500
elliottw@idealfinancial.com