

COMMUNITY MORTGAGE BANKING PROJECT

CMBP FILES AMICUS TO PRESERVE COMPETITION IN THE MORTGAGE MARKET, LOWER COSTS FOR CONSUMERS

Alexandria, VA – March 25, 2011 – The Community Mortgage Banking Project (CMBP) today argued that a new Federal Reserve Board regulation, despite being positioned as pro-consumer, will instead have the perverse effect of denying consumers who comparison-shop for mortgages the opportunity to obtain a lower-cost mortgage. CMBP made the arguments in an amicus brief in a case challenging the regulations, which are due to take effect April 1.

“The Fed rule was supposed to address the issue of loan officers who *raise* the cost of a mortgage in order to increase their compensation,” said Glen Corso, managing director of CMBP. “But it has ended up depriving loan officers of the ability to discount the mortgage rate to the consumer and absorb the cost of that discount by reducing their compensation. That’s a competitive choice and what a healthy market is all about. Independent community mortgage lenders want to be able to vigorously compete on cost, but in a bizarre twist of poorly conceived regulation, the Fed rule prevents that.”

“We are fully supportive of the CMBP’s amicus brief in this case” said Scott Stern, Chairman of the Community Mortgage Lenders of America (CMLA). “Consumers in the market for a new mortgage regularly comparison-shop to get the best price. Loan officers, especially those affiliated with independent community mortgage lenders, regularly reduce their compensation in order to discount the price of a loan to be competitive.”

Other compensation variations that benefit consumers are also adversely impacted by the rule. For example, bank-affiliated lenders often pay incentives to encourage their loan officers to originate more complex, difficult-to-originate loans, such as those eligible for credit under the Community Reinvestment Act (CRA). However, the Fed’s rule specifically prohibits the payment of such incentives for CRA loans. “Rather than drafting rules focused exclusively on eliminating *inappropriate* compensation incentives for loan officers, the Fed’s rule instead prohibits any variation in compensation to loan officers based on loans terms – even when it benefits the consumer,” Corso noted.

CMBP argues from the perspective of independent mortgage banking companies in its amicus that the Fed rule was passed hastily and without regard to the Federal Reserve’s actual legal authority to issue rules. In addition the brief argues the Federal Reserve did not have the appropriate factual record to promulgate such a far-reaching rule. The motion and amicus brief was filed in a lawsuit brought by the

National Association of Mortgage Brokers and the National Association of Independent Housing Professionals against the Board of Governors of the Federal Reserve System seeking a Temporary Restraining Order to block the April 1 effective date of new loan originator compensation rules under Regulation Z. The case was filed in U.S. District Court in the District of Columbia. Judge Beryl Howell has not yet scheduled a hearing.

For more information or a copy of the amicus, please contact Glen Corso at 571-357-1036 or email glen@mortgagepolicy.org.

Community Mortgage Banking Project is a public policy organization representing the interests of independent mortgage bankers. For decades, the community-based mortgage banker has delivered value and choice to consumers by leveraging local market expertise, quality service, and lower costs for borrowers. The CMBP supports financial market reforms that promote consumer access, borrower and investor transparency, local competition and choice, and a value added mortgage chain. For more information visit www.communitymortgagebankingproject.com.

CML America (CMLA) represents the nation's Main Street mortgage lenders. CMLA is founded on the principal that a thriving independent mortgage banking sector increases competition in the industry and provides borrowers with more choice, lower costs, and innovative products.