

[To your state senator]

New Federal standards for mortgage lending go into effect in October of 2009. Soon you will be asked to cast your vote on legislation (HB 1222) that is intended to bring North Carolina laws in line with those new standards, but in fact, go much further.

Under North Carolina's current Mortgage Lending Act, compensation to a mortgage broker (loan officer) is limited on "rate spread home loans" and the payment of a yield spread premium on such loans is prohibited. This is a particular problem when you consider that the Federal Reserve Board rejected this exact situation in the Federal rule. If HB 1222 is passed as is currently proposed, the new definition of "rate spread home loans" would affect as much as 25% of loans made to North Carolina consumers that are under \$150,000.00!

As a mortgage loan officer who chooses to work for a smaller company, rather than a large bank, I frequently work with low to moderate-income borrowers with challenges (credit issues, less down payment, etc.) who don't meet the borrower "*profile*" required by banks. Securing financing for them is more time and labor intensive. Limiting compensation on them will force me to reconsider which consumers I'll service, therefore eliminating an important source of help for many North Carolina families; both those who desire to become homeowners and those who desire to refinance current mortgage loans.

HB 1222 proposes using an index that will capture most government loans less than \$200,000.00 (the average North Carolina home is worth \$126,000 according to the US Census Bureau). This bad situation is potentially made worse considering that the new revised index lags behind current market mortgage rates by as much as 2 weeks. When rates are rising, this will capture even more loans! In this scenario, many more North Carolina consumers will be prevented from obtaining a beneficial home loan.

By simply changing our state law to mirror the Federal rule, North Carolina can repair this potential disaster.

[Your Name, and contact information]