From: "Jim Larson" <jlarson@mcrfunding.com> on 02/24/2006 12:25:01 PM

Subject: Interagency Guidance on Nontraditional Mortgage Products

I am expressing my concern over the possibility of new guidance with regard to specific non-traditional mortgage products such as Interest only mortgages, deferred interest options, or any other mortgage product that your agency may determine to be non-traditional. Let me begin by stating that in my many years of loan originations there has been, always will be those elements of consumers who simply do not read or do not retain what was explained to them about their mortgage product or they are fully aware of the risks they will face if they misuse the flexibility options of a non-traditional product. In other words there is always that percent who live outside the rules. I am also aware that there are, always have been and will continue to be a percentage of people in any industry or government who misrepresent a particular instrument however; the consumer should always take the time to read what they are signing. Statistically, 52% of home owners do not understand the product they have chosen regardless of the type of loan. Every note and mortgage I have read with regard to payment option type loans have a number of protections built into them including the removal of any deferral options if the consumer over uses that option, recasting and so on. I am concerned that guidance mandated by the FED will create restrictive use of a product category that to the largest possible percentage is NOT being misused or misrepresented by the industry.

These are some well documented trends; The average homeowner in America (over 70%) will buy/sell on an average five to seven year cycle. Additionally, the consumer who seems incapable of managing debt but does own a home will refinance as often as three times in a seven-year cycle. In a traditional 30-year mortgage the consumer will realize from as little $.17 per dollar up to $.22 per dollar toward equity in the first five-years of mortgage payments meaning the best thing going for them is tax deductible interest and any appreciation gained in their particular market and statistically will likely be moving to a different home. In the total picture there is little equity gained so a wise and financially focused consumer would be prudent to select an interest only product. OR, that same consumer may choose a payment option mortgage that offers great money management provision including interest only or fully amortizing option each and every month. A person who has fluctuating income will choose this type of product to manage their mortgage payments to their income flow. The most significant mortgage product in the market today that can assist a person out of debt and into a managed plan without stripping away equity is a product that will allow for deferred interest and a redistribution of housing dollars to retire high cost debt without increasing their cost of housing or equity stripping. The mortgage industry can bring about significant benefits through the proper discovery of a consumers financial position and facilitate a very meaningful debt management plan using non-traditional mortgages. My company has underwritten a seminar “A Strategy for Financial Freedom” for consumers using a non-traditional mortgage as the platform to fund high cost debt into extinction in five-years or less.

2005 recorded the first negative savings statistics in decades and Americans saving are at the lowest point since 1933. Most Americans look at their home as their savings/retirement money yet over 70% of homeowners are carrying record debt and paying minimum debt service payments meaning they are fooling themselves
about their financial future. Personally, I know I can help these people into a sound financial position with guidance and the availability of a non-traditional mortgage as a tool to freedom and behavioral change using a maximum five-year program and then exiting into a mortgage product that suits their situation.

Clamping down in your guidance in my opinion will have a very negative effect and the same percentage of people who will always make the worse of a situation will still be the same however; the people who can best be served by these products will fall outside the underwriting guidelines that are likely to be forced upon the industry. I am very fearful that the FED is looking at new guidance knowing little about how and why these types of products came into our market. Long money mortgages are near obsolete based on the behavioral statistics of home ownership today.

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