

From: "John E. Sikora" <jsikora@Freedmont.com> on 04/07/2008 02:30:04 PM

Subject: Regulation Z

Subject: Docket # R-1305

To Whom It May Concern:

In regards to the proposed law R-1305 first and foremost I am in favor of protecting consumers in general. I have been in the mortgage industry for nine years and have seen my share of fly by night operations with supposed loan officers that couldn't distinguish a basis point from a loan to value rate adjustment and lending practices that bordered on the ridiculous from lenders that sprouted up everywhere.

There are many good consumer laws on the books, although most are not enforced or evenly enforced. The various bank departments are understaffed and not fully aware of the various schemes employed by disingenuous lending firms. Fortunately, most of the "bad guys" have moved on to other areas due to the credit crunch. Overly onerous laws such as R-1305 will not only limit the ability of many consumers to buy or refinance, it will make the already difficult economy we are now in become worse and stall the economy. As an example:

First, the 3% above the Treasury rule is myopic at best. Presently, EVERY jumbo loan is priced higher than this threshold. Moreover, smaller loans will have higher APRs due to ratio of standard fees to loan size, so lower income people will be affected disproportionately.

Next, stated income loans were abused. However, there is a legitimate need for these loans. Many small business owners write off a good portion of their expenses that actually benefit them and net such a small amount to disqualify them for any loan when in reality they can reorganize expenses and easily afford higher payments in a mortgage. With the recent jobs picture (the worst in 5 years as of a few days ago) will cause many people to be out of work and conceivably accepting lower paying jobs or jobs with commission or even starting a franchise. If this person has assets and ambition, their ability to refinance and/or buy will be shut down under this proposal. If the borrower depicted above has good scores; money in the bank and a need to refinance /buy/ borrow, a stated income program, if done correctly, will help them to be able to retain ownership of their property or purchase a needed home and get back on their feet. Stated programs are not programs for minimum wage people working on tips, and that is where it seemed to be abused.

In addition, the onus of a broker/lender having to disclose and NOT have a change in terms is simply unrealistic. Bait & switch brokers have no business being in the business, but with Fannie, Freddie and FHA guidelines changing almost weekly, loans will and do change. Payoffs come in higher and taxes are rarely accurate until a title company confirms them with the courthouse. Homes appraise for less; income is not what it was purported to be from the consumer. Any of those things will cause applications parameters to change which can cause the loan to fall into another category causing PMI; price adjustments; etc.

Finally, I ask anyone reading the proposal to think of everyone they know and ask: "Are those people or yourself in the same position financially where they were 3, 5, and 7 years ago"? The answer is a resounding NO! How can it be expected that a loan officer / lender to be able to foretell someone else' future earnings?

It is imperative that elected officials spend more time understanding the lending industry and help consumers retain their homes under more favorable loans and not paint the

industry with one broad stroke. The industry does indeed have problems, most of which have been uncovered. Laws such as this will only exacerbate the slowing economy and throw us into a prolonged recession hurting a multitude of borrowers and depressing the stable home owner's market value even further. (How has your home value been affected?)The cure to the crisis is a housing rebound, and we are seeing more purchase contracts; multiple offers on same homes; and some signs of recovery. Reconsider this harmful proposal and set it aside for now until something can be written to enhance homeowner's options instead of limiting them.

Regards: John Sikora

John Sikora SR Loan Officer
410-628-0500 Ext.220 410-628-6169 Fax
443-570-6961 cell Toll free 1-800-955-8508
50 Scott Adam Rd. 2nd Floor
THE FREEDMONT BUILDING
Hunt Valley, Md., 21030