From: "Josh Motto" <joshmotto@loanrepublic.com> on 03/28/2008 03:00:03 PM

Subject: Regulation Z

To Whom it May Concern:

I am writing in support of all the provisions proposed in Docket No. R-1305 with one exception:

The proposal for an APR trigger of 3% (1st mortgages) and 5% (subordinate mortgages) above the 10-year U.S. Treasury is misleading.

While it is historically accurate that ARM based mortgage products were closely correlated to the 10 Year Treasury, the past two years (2007-2008) have demonstrated this coloration is artificial: the true driver of mortgage ARM rates is not the 10-year Treasury market but rather the demand for mortgage backed securities sold to the secondary market by both private and US Government agencies. As we have seen in March 2008, as the US T-Bill rate dropped significantly, the demand for mortgage backed securities (even those sold by the US Government agencies) remained weak, driving ARM rates almost double the 3% threshold for A+ prime quality borrowers.

I urge you to base the 'high cost' threshold on the weighted average of current 30 year fixed rate agency products (for conforming) and the same for jumbo using a 'perfect borrower' scenario (say 750 fico, full doc, 12 mos reserves, etc).

This type of relevant trigger indicator will ensure an apples to apples approach in analyzing the market's perceived risks of investing in bonds backed by US real property (and not by the US Treasury).

Best Regards,

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