From: "Marc Ballard" <mballard@contactimg.com> on 04/07/2008 01:55:04 PM

Subject: Regulation Z

To Whom It May Concern:

My name is Marc Ballard and I am a Mortgage broker in Clearwater, Florida.

Although I like many of the things in the anti predatory lending/mortgage reform bill, I'm worried that setting the bar for "subprime" loans to Treasury +3% is a bit too low. Right now that's just 6.5%.

Are you aware that Fannie/Freddie have risk based price adjustments tied to credit scores now that are very expensive for people with scores of 640 or below? Here is a chart of the adjustments as related to LTV and credit score:

http://www.barkerblog.com/uploaded_images/LLPAs-797802.JPG

For example, a borrower with a 610 credit score with a 20% down payment and an "Approve/Eligible" out of Fannie Mae's automated underwriting system has a 2.75 point risk-based cost. That moves up the par wholesale interest rate up to around 6.75%. Since this is over the 10-year + 3% level, it's considered a "subprime" loan although it's actually a Prime fannie mae automated approval loan. There's no better loan or interest rate they are going to qualify for. And, most likely, if they go to a bank instead of a broker with that score they will simply be turned down or actually put into a true Countrywide-style subprime loan as banks don't typically use the Fannie/Freddie automated tools and deny people we easily approve under those systems.

Another issue hurting this sort of approach is that the spread between the treasury and 30-year rates is at a 20-30 year high, around 250 basis points instead of 100-150 we normally see. This results in more loans being "subprime" under your proposed metric.

I don't know if it's reasonable for any Fannie Mae "Approve/Eligible" or Freddie Mac "Accept" loan to be exempted from the Subprime rules/restrictions, but I'm worried that the people with lower credit scores will be unfairly hurt by the new proposal.

I suggest you consider the metric to be the H.15 30-year mortgage rate from the Federal Reserve, here's the weekly data going back a long ways:

http://www.federalreserve.gov/releases/h15/data/Weekly_Thursday_/H15_MORTG_NA.txt

If you add about 1%-1.5% to that, it'd give you a reasonable range to account for credit score pricing hits while still allowing all Approve/Eligible style loans to not fall under the subprime restrictions. Also this prevents the spread between the treasury and 30-year fixed rates from swinging borrower in and out of the subprime category. For instance, what happens if the mortgage/treasury spread moves to 500 basis points somehow? Then every A-credit automated approval loan in the country would fall under "subprime"...

Again, I believe in full disclosure, but eliminating the services of the independent mortgage brokers will only hurt the consumers. If the brokers and the bankers were placed on a level playing field where both had to disclose the fees that they earned on a loan regardless of whether they were funding that loan with their own money, that would allow for full consumer disclosure.

I had a woman in my office that closed on a refinance loan with Chase Bank USA, NA back in November of 2006. She wanted a fixed rate loan, she got a 5 year ARM with a 5 year pre-payment penalty and paid a discount of $9,024.00 for an 8.450% rate on a $150,400 loan. This is a bank, that originated and closed this loan! Had she originated her loan with me, she would have gotten a rate in the 6.500% range and would not have paid an origination fee or discount to do so.

The majority of the independent mortgage brokers work hard to assist their borrowers and obtain the best financing available. In most cases, I have found that my rates and fees have beaten those offered by the local banking centers in my area. What we need is full disclosure by all parties and anyone originating loans should have to be individually licensed by the State that they work in and those licensing requirements should meet federal guidelines. What makes sense to me, is not the elimination of a branch of the real estate financial markets, but a level paying field, full disclosure by all lenders/brokers and full licensing!

Thank you for your time and have a great day.

Marc Ballard
Broker / Owner
Independence Mortgage Group, LLC
2430 Estancia Blvd., Suite 202
Clearwater, Florida 33761
(727) 724-3800 Office
(727) 724-3835 Fax