From: "Stan Brody" <Stan@USMCor.com> on 04/03/2008 11:20:02 PM

Subject: Regulation Z

United States Mortgage Corporation

The Governors of the Federal Reserve Board
Via E-mail: regs.comments@federalreserve.gov

RE: Docket No. R-1305

Dear Governors of the Federal Reserve Board,

I am writing to express my concerns with the proposed changes to the "Truth-In-Lending" Reg. Z disclosures. Full disclosure is and always has been a part of my almost thirty year business practice. I fully realize that within the family of mortgage brokers there are some bad apples that abuse the system. However, I am equally aware that the same can be said of loan officers at banks and direct lenders, and yet they are, and will be exempt from the same limiting, full disclosures. Why, if the intent of these changes is to provide the protection of the public through the full disclosure of all fees in advance, do these proposed changes again exempt one segment of the lending community thereby compromising the intent of the Truth-In-Lending proposals.

Further, as I understand the proposed changes, mortgage brokers, and only mortgage brokers, will be required to provide a statement of our total fees in advance of accepting a loan application. As you are no doubt aware, the loan product, rate and fees is a direct result many factors; including, but limited to loan-to value, credit history, work history, and the property type. Thus, if implemented these rules would place an undue burden on brokers to quote total fees, PRIOR to assessing the transaction, a virtual "stab in the dark". This is unreasonable, and foolhardy, not to mention the fact that by relieving the direct lenders of the same requirement, places the mortgage brokerage community, and their clients at a severe disadvantage. To make any change to the regulations, without making them all encompassing places mortgage brokers at an unfair disadvantage; thereby impinging on our right to earn a living.

Again through its inference, the proposal is making the assumption that all brokers

are unscrupulous, and frankly, I find this offensive. The Board will be using a broad paint

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brush, unduly punishing the many for the actions a very few; while exempting a large segment of the mortgage lending industry… this makes absolutely no sense.

If to protect the good of the public is your intent, then why pray-tell has government refused to address the real estate crisis that the nation is facing. The public is facing a blood financial bath; and all that has been offered from government to date are proposals that amount to a band aid, when a tourniquet is required! We must first fix the immediate problem and then implement long term preventative measure. These Reg Z changes are again placing the cart before the horse. The following is my recent letter to Secretary Paulson suggesting a proposal to fix the immediate issue at hand…

"I have been in the Mortgage Industry for almost thirty years; have "some knowledge" of my industry, and have developed a plan that will solve the present real estate crisis facing the nation. My plan is comprised of two phases. The first being to stop the foreclosures... thereby removing the immediate "fear factor", and stabilizing the financial and real estate markets. This will allow for a more controlled sell off of the bank owned (REO) properties; without causing further erosion of the homeowner's equity, the lenders security and real estate tax basis. The Second, through the implementation of a new FHA Mortgage Assistance Loan program financing, is long term.

Keep in mind, that unlike the "Dot.com" implosion, affecting a relatively few, very expensive, homes... this crisis is "Blue Collar"... from the bottom up... affecting possibly millions of homes, and if not properly addressed will result in a catastrophe...

Phase one:

Without exception every lender already has **Rider Forms** (modification) within its portfolio of loan documents. Therefore, through the implementation of the existing **Riders**, my plan calls for:

1. LOANS THAT HAVE NOT REST: Modify all 2-3 year ARM products in this category to 3 years from the date of the rider for the 1st adjustment.

2. LOANS THAT HAVE RESET, BUT NOT YET DELINQUENT: Reset these notes back to the entry rate, and provide for a 3 year date from the date of the rider for the 1st adjustment.

3. ON NEGATIVE AMORTIZATION LOANS: Using a Rider to the note, modify the instruments to allow for a 120% accrual... an increase from the current 110-115% maximum accrual that triggers the unlimited reset. This will provide a 3 year cushion.

4. LOANS ALREADY IN FORECLOSURE: a) Enter into a **FORBEARANCE AGREEMENT** with the homeowner. b) Stop the foreclosure at the present date. c) Calculate the amount in default*. d) Add the amount in default to the principle balance. e) Reset the interest rate back to the entry rate. f) Recalculate the new payment based on the new principle balance, and g) Modify the new date for the first adjustment to be 3 years from the date of the forbearance agreement.

* On a $400,000 loan that has adjusted from 6.375% interest only to 8.375% fully amortized for 28 years, the amount in default should be less than $10,000... and a new payment at 6.375% on $410,000 would be $53 greater than before the first adjustment. Keep in mind that the vast majority of these owners went into default only after the first loan payment increase. Insofar as the Riders already are prepared the need for attorneys is removed, and the cost will be under $100 per loan. Preparation, Notary and Recording is all that is required.

5. Remove any prepayment rider attached to the original note and/or deed of trust.

Phase two:

Once the foreclosures have been curtailed we would revisit these loans and; where

required and/or feasible implement Phase Two of my proposal. Asking the lenders to take huge (mostly unwarranted) write downs, as proposed by Senator Dodd and Representative Frank; can only result in higher bank fees, lower liquidity and cost cutting... all too often through the devastating loss of jobs, and its related negative effect on local economies. Therefore, I offer the following proposal:

1. Refinance the now stabilized loans with the existing or new a lender, providing the homeowner with the maximum loan, at market rate, that he/she would qualify for under FNMA/FHLMC or FHA guidelines.

2. The remainder due on the original loan would come in the form of an **FHA Mortgage Assistance Loan (MAL)**, similar to those currently being offered by local government throughout the United States. Thus, the total of the new financing would equal the old loan balance.

3. These junior liens would: a) carry no interest for the first 5 years b) interest at the bond rate* for the balance of the term c) due on sale or. d) assumable to a new Buyer; and e) carry equity sharing restrictions limiting the amount of profit that the owner may receive from any subsequent sale of the home to the FHA actuarial percentage, calculated for the period of ownership, but not to exceed 20%.

For example: the borrower currently owes $400,000 on the home, but under the lending guidelines he/she will only qualify for $300,000. The current loan would be modified or re-written to the lower amount, at market rates; and the FHA would pay down the existing lien by providing the above outlined MAL recorded against the property. On any subsequent sale of the home, where the profit exceeds 20% over original purchase price, less any down payment, the cost of any improvements and cost of sales the equity sharing provision would "kick in."

The FHA Mortgage Assistance lien would be retired and any excess funds (over 20%) would be escrowed or invested in US General obligation bonds, with the ultimate use for the reduction of the mortgage assistance bonds (outlined below). In effect, by increasing the loan limits, and using the basis of my proposed new note, this plan amounts to an enhanced modification of the FHA Title 1 loan program; which do not take into consideration of loan to value as a lending criteria.

***The funding for the program would come from "Mortgage Assistance Bonds."**

The sale of which should provide for a priority to US citizens and Mutual Funds, and then to the open markets. Thus, the majority of any interest paid would, hopefully remain here providing further fuel to the economy. **The net effect and bonus of the profit limitation contained in the deed restrictions will be the creation of a huge national supply of affordable housing.**

Therefore, taken together, my two step plan can and will work; and will also maintain the **current real estate tax basis**, the primary source of revenue for the counties and local government. Due to the manner in which real estate taxes are assessed, the impact of these losses only began to be felt this past fall… and in states such as California, this reduction in the real estate tax base cannot be easily replaced. Counties are just now being forced to curtail services… Can we imagine the impact that an additional 2 million foreclosures and subsequent REO "fire sales" will have on the local governments! Hopefully no one will need an ambulance or Fire Department ... help may not arrive in time, if at all...

Unless we are assuming some vast national conspiracy, the lenders made the loans in good faith, and at the same time the majority of borrowers took out the loans in the same manner... GOOD FAITH. Both parties contributed to the financial situation that we now face... the lenders offered loans, often fraught with danger... and all too often the borrowers "stretched the envelope" of what they could afford. BOTH made a bad business decision. There is more than enough blame to go around... Monday morning quarterbacking shows us that the Mortgage Industry should never have offered 2 year ARM's using the underwriting guidelines that were implemented…and Mortgage Brokers were encouraged (by lenders) to sell these loans to the public…however, this is not the time to point fingers or to lay blame... it is far more critical that we first but a stop to the hemorrhaging of our economy... our national carotid artery...

If ever there existed a critical need for bi-partisan common sense cooperation this is it… and if they do not act now… not after the national elections in November, thereby forcing a delay until after January 20, 2009… the bloodbath will only have just begun… As you are aware, in California alone there have been in excess of 84,000 foreclosed homes… I shudder to contemplate what will happen should the five-hundred thousand loans presently in default… complete the foreclosure process…

Very truly yours,

Stan Brody
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