ORIGEN™
WE START WITH YOU.

ORIGEN FINANCIAL, INC.

27777 FRANKLIN ROAD, SUITE 1700
SOUTHFIELD, MICHIGAN 48034-8202
USA

TEL: 248.746.7000
FAX: 248.746.7091

DONALD P. BREWSTER
SENIOR VICE PRESIDENT AND
GENERAL COUNSEL

DIRECT DIAL: 248.746.7034
EMAIL: BREWSTER@OFLLC.COM

April 8, 2008

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave. NW
Washington, DC 20551

RE: Docket No. R–1305

Dear Ms. Johnson:

Origen Financial, Inc. ("Origen") appreciates the opportunity to submit comments regarding proposed changes to Regulation Z intended to protect consumers from unfair or deceptive home mortgage lending and advertising practices.

Origen applauds this effort by the Federal Reserve Board to address the predatory lending practices that contributed to the ongoing subprime lending meltdown. In that spirit, Origen offers the following comments with respect to the proposed rule to amend to Regulation Z.

Many of the unscrupulous practices targeted in this proposed rule contributed to artificially prolong the recent site-built housing boom, and cost the manufactured housing industry tens of thousands of customers. Manufactured Housing lenders have maintained high standards throughout the chaos in the mortgage industry. This is evidenced by the fact that only 53 percent of manufactured home loan applications were approved in 2006 compared to 80 percent of site-built loan applications. In addition, nearly all manufactured home personal property loans carry fixed rates, terms shorter than 20 years, and require a minimum down payment of at least 10 to 15 percent. For several years, the average FICO score for Origen personal property loan borrowers has been over 700.

Furthermore, as a result of these solid underwriting standards, foreclosure rates on Origen's personal property loans have steadily dropped in the face of surging foreclosure rates on traditional mortgages. But, despite high-quality underwriting and exceptional loan performance, these loans have always carried higher rates than traditional mortgages due to the fact that manufactured home personal property loans differ greatly from traditional mortgages. Personal property loans on manufactured homes:

- do not include a security interest in land
- typically carry fixed rates and terms far shorter than 30 years (typically 20 years or less)
- require borrowers to make down payments of at least 10 - 15 percent
- involve loan amounts of less than $100,000
- carry higher interest rates than traditional mortgagees due to:
    1. no real property security interest,
    2. lack of a secondary market or GSE (Fannie Mae or Freddie Mac) participation, and
    3. require more "high-touch" servicing than traditional mortgages due to the financial characteristics of lower income borrowers.

Origen believes that while the proposed rule is intended to address the predatory practices of the traditional mortgage industry, we strongly oppose the proposed definition of a "Higher Priced Mortgage Loan" ("HPML") as currently drafted because it will inadvertently and incorrectly classify the overwhelming majority of personal property loans on manufactured homes as a HPML. Personal property loans finance manufactured homes that are placed either in manufactured housing communities or upon family-owned land. These arrangements are widely regarded as being the most affordable forms of homeownership.

Since personal property loans, due to higher capital costs and increased risk, carry a higher rate than conventional mortgages, it is unfair to apply the same rate threshold to both loan types. The proposed rule defines a HPML as any first lien with an APR that exceeds, by at least 3 points, the yield on Treasury securities with comparable maturities. This standard would have categorized roughly one in four conventional site-built mortgages originated in 2006 as HPMLs but over 70 percent of manufactured home personal property loans (see table below), regardless of the credit quality of the borrower. Furthermore, the proposed standard would classify nearly 85 percent of low-balance manufactured home personal property loans (balance less than $25,000 at origination), regardless of the credit quality of the borrower. Rates on low-balance personal property loans are, in general, higher than rates on higher-balance loans, as a lender's fixed origination and servicing costs are "spread" over a smaller balance, forcing the rate higher to cover these costs.

Rate Spread Above Treasury Bill Yields by Loan Type, 2006 HMDA

	Conventional 1 - 4 Family Home Mortgages		Manufactured Home Personal Property Loans*	
Spread	**Percentage**	**Cumulative**	**Percentage**	**Cumulative**
Less than 3%	**74.8%**	**74.8%**	**29.6%**	**29.6%**
3-3.99%	**6.3%**	**81.0%**	**15.8%**	**45.4%**
4-4.99%	**3.4%**	**84.5%**	**15.2%**	**60.7%**
5-5.99%	**7.0%**	**91.4%**	**15.8%**	**76.5%**
6-6.99%	**6.0%**	**97.4%**	**10.2%**	**86.7%**
7-7.99%	**2.1%**	**99.5%**	**6.7%**	**93.3%**
8% or more	**0.5%**	**100.0%**	**6.7%**	**100.0%**

*HMDA query of lenders which primarily originate MH personal property loans
Shaded areas represent 25% of respective loan types that would be considered HPMLs under Origen's proposed definition (T-bill yield + 3pts, + 6pts for personal property loans)

In order to categorize the same proportions of personal property loans and conventional mortgages as HPML (roughly 25% using 2006 data), a separate standard should be applied to personal property loans: a personal property loan should be considered a HPML if the APR on such a loan exceeds, by at least 8 percentage points, the yield on Treasury securities with comparable maturities.

Origen also recommends the Federal Reserve rule address instances in which the Treasury yield curve is flat or inverted or insufficient liquidity exists in the secondary market for mortgages. In these circumstances (at present both happen to be observable), the proposed definition will likely classify a large share of all types of home loans as HPMLs. In this regard, Origen's suggestion is to include a provision similar to that found in S. 2542, the Home Ownership Preservation and Protection Act of 2007", though with a higher yield threshold.

Applying this provision to personal property loans, Origen suggests that the Federal Reserve define a HPML as any first lien personal property loan with an APR that exceeds the greater of
1) 8 points above the yield on Treasury securities with comparable maturities or
2) 6.75 percentage points above the yield on conventional mortgages as reported by Freddie Mac.

Origen appreciates the opportunity to comment on the proposed rule. Should the Federal Reserve need clarification on any of the issues discussed in this letter, please feel free to contact me at brewster@ofllc.com or on (248) 746-7034.

Very truly yours,

Donald P. Brewster

Donald P. Brewster

Origen Financial, Inc. is an internally managed and internally advised company that has elected to be taxed as a real estate investment trust. Based in Southfield, Michigan, with significant operations in Ft. Worth, Texas, Origen is a national consumer manufactured home lender and servicer. It offers a complete line of home only products and land home conforming and non-conforming products. Origen also provides servicing for manufactured home only and land home loans. For more information about Origen, visit www.origenfinancial.com.