TRIAD FINANCIAL SERVICES, INC.®

February 29, 2008

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave. NW
Washington, DC 20551
Re: Regulation Z; Docket No. R-1305

Dear Ms. Johnson:

Triad Financial Services, Inc. (Triad), one of the nation's largest manufactured housing lending organizations, established in 1959, appreciates the opportunity to submit comments regarding the proposed changes to Regulation Z, which are intended to protect consumers from unfair or deceptive home mortgage lending and advertising practices.

Triad applauds this effort by the Federal Reserve Board to address the unscrupulous lending practices that contributed to the ongoing sub prime lending meltdown. In that spirit, we offer the following comments with respect to the proposed rule to amend Regulation Z.

Triad believes that while the proposed rule is intended to address the predatory practices of the traditional mortgage industry, the proposed definition of a "Higher Priced Mortgage Loan" (HPML) as currently drafted will inadvertently and incorrectly classify the overwhelming majority of personal property loans, also know as "chattel" loans on manufactured homes as HPMLs. Personal property (chattel) loans finance manufactured homes placed either in manufactured home communities or on family land; these arrangements are widely regarded as the most affordable form of homeownership in the United States.

Triad also is extremely concerned with the implementation plan requiring escrowing of insurance and tax payments as described in the proposed legislation. The chattel lenders in this industry do not currently do escrows, and we don't have the necessary technology to implement that practice in a short period of time. This will cost this industry millions of dollars to implement, as we will need new software to track and pay these, plus additional staff to gather the information. Unfortunately there is no readily available vendor for tracking taxes, as every individual taxing authority, thousands of them, have their own taxation system, and every transaction would require at a minimum a phone call to try and gather the appropriate tax information. This would be like requiring auto lenders to track and pay tax and tag fees plus insurance costs on every auto loan, as they are chattel loans as well. Asking auto lenders to do this would create havoc in the market and they same problem would exist with manufactured housing chattel lenders.

Background

The unscrupulous practices targeted in this proposed rule contributed to artificially prolonging the recent site-built housing boom and likely cost the manufactured housing industry tens of thousands of customers, as manufactured home lenders maintained high underwriting standards among the chaos in the mortgage industry. Triad's standards are some of the highest in the industry but are not unique to other manufactured housing lenders. Triad turns down approximately 65% of all applications it receives. It's average FICO score last year was 726, average LTV was 84% and Triad's delinquencies on its portfolio has been historically below 2%. Triad is not a sub-prime lender, nor is the manufactured housing industry primarily a sub-prime industry.

Every Triad loan is a fixed rate loan with an average term of seventeen-and-a-half years. 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 have low balances (average $47,000) and the majority of our loans do not include land.

Triad sells its loans to over fifty banks and credit unions throughout the nation. The majority of these loans are personal property and there is an expectation of a higher rate compared to traditional real estate loans. Triad sets up a reserve with its lenders protecting them against significant losses due to prepayment or default. These loans tend to be as safe an investment as a government security. Based on the returns expected by our investors Triad's average loan rate is 8.75%.

Assuming current Treasury note yields, the proposed standard would classify roughly 96% of Triad's loans as HPMLs; regardless of credit quality. This type of penalty is not appropriate for manufactured housing customers which have a superior credit history.

The proposed legislation in reference to escrowing for insurance and taxes would disrupt chattel lenders and negatively impact the ability of our customers to get Manufactured housing financing. Manufactured home lending is chattel lending; it is considered personal property. Mandating escrow accounts for Manufactured homes is the same as requiring auto lenders to escrow for their tags and taxes. Most of the banks and credit unions do not have technology that are programmed to escrow for personal property. It obviously could be done given an appropriate amount of time but to mandate escrow accounts immediately would negatively impact an industry that provides this nation's most important source of affordable housing. If Triad was to outsource this function, based on its $610 million portfolio it would cost over $1 million, a very significant amount for an organization the size of Triad and an amount that would be passed on to the borrower. The bottom line is that unlike real estate taxes, there are no national or even state level databases that we could use to determine what the tax escrow should be, and the taxing authorities are so fragmented that it would be impossible to track these taxes.

Recommendations

Triad strongly believes a separate standard should be applied to personal property loans on manufactured homes: a personal property loan should be considered a HPML if the APR on such a loan exceeds, by at least 6 percentage points, the yield on Treasury securities with comparable maturities. Furthermore, for low-balance personal property loans (below FHA Title 1 maximum loan limits) , the standard should be set to 8 percentage points above Treasury securities with comparable maturities.

The requirement of lenders to escrow taxes and insurance for HPMLs would be highly inefficient for manufactured home personal property loan servicers to escrow personal property taxes. Unlike that which exists for real estate taxes, there is no unified, systematic process for the collection of personal property taxes among the roughly 22,000 state and local government entities and no company which provides personal property tax services to lenders. The cost to manually process and pay personal property taxes (which average $400 to $500 annually) in each of these jurisdictions would be prohibitive for lenders; thus, Triad recommends that personal property taxes be exempt from consideration under the escrow requirement for HPMLs.

Triad Financial Services, Inc. believes strongly in protecting home-buying consumers from unscrupulous lending practices, the recommendations contained in this comment letter will help the Federal Reserve to effectively and equitably achieve this goal. Triad appreciates the opportunity to comment on the proposed rule, should you need clarification on any of the issues discussed in this comment letter, please feel free to contact Don Glisson, Jr., 800-522-2013 or dglisson@triadfs.com.

Sincerely,

Don Glisson, Jr.
Chairman and CEO