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To: The Federal Reserve Board
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Dear Federal Reserve Board,

As a Loan Broker of 15 years and working in both the Mortgage Industry and Banking Call Centers, I feel that my extensive background is knowledge that needs to be shared. I am very passionate about my Mortgage field and have always helped the consumer achieve their dream in buying a home. I have never sold a Negative Arm and never sold a Stated Income with $0 Down payment. My stated income borrowers always had a minimum requirement of 20% down payment, assets in the bank, Fico's of 690+, and several meetings with me advising them of payments and budgeting analysis. I have not had any of my borrowers foreclosed upon. My number one product sold is 30 year fix loans. My second product is 10 year fixed with interest only and adjustable after 10 years.

The Mortgage Crisis is one that I saw coming for a long time, but I didn't know that a big Bank like Bear Stearns would ever be touched. Here is my analysis that needs regulation and focus upon to prevent future problems.

I. **We need regulation and analysis of the creation of loan products.** The past loan products were created by Wall Street Investors. All the risky loans that existed on the open market were created by Wall Street and there is no regulation or oversee on the type of risk the loan products that can be in the present and future. Each loan product has an overall purpose and this was lost because of the greed factor that took over the market. We need to create an agency that new loan products are submitted to be approved by that committee. The committee should be elected individuals and all items need to be published. The committee should consist of mortgage professionals, financial specialists, and members of the general public.
Negative Arms and State Income loans are for borrowers that have a down payment of 20% or greater, assets in the bank that are seasoned and show 2 years of monthly mortgage payments and FICO's of 690 or greater. Negative Arms and Stated Income loans failed because there were 0 down payment requirements, 0 reserves, and no income to document. The failure of negative arms and stated income loans are a result of having no cushion for real estate to deflate in value. Also, when a borrower invests $0 into the property, they do not care about a loosing it because nothing was loss.

If these borrowers had 20% invested, they would ride out the mess and fight to keep the home. We have unmotivated borrowers that do not care about their credit or keeping the home.

II. **All loan originators that discuss rates and the loan application must have a Department of Real Estate license and follow State laws for selling mortgages.** Loan originators must fulfill allowance of continued financial education. Banks and Corporations should **NOT** be exempt from this regulation. I worked in call centers of Banks and they provided no training and I watched car salesmen and other backgrounds walk into the position without any training and sell mortgages.

III. **Banks cannot push the sale of credit cards during a Mortgage inquiry or mortgage transaction.** A borrower should not be tempted to spend more money and be given a chance to fail on their mortgage. The priority should be on the Mortgage and finding other ways to financially drown the borrower in debit.

IV. **First time buyers need to be educated on financing a home and need a minimum required hours to attend a class in buying a home.** Classes need to be given in person and need loan originators that are certified to teach the classes. A certificate and signed contracts by both the primary wage earner and loan officer need to be signed and presented in the loan package that is presented to the underwriter. An internet site needs to be created to make sure the certificate is original. We need to educate the borrower and teach them how to understand loan products, loan disclosures, and budget their finances.

V. **Regulation Z needs to be sent out to the borrowers at the time of loan application, loan lock, and prior to funding the loan.** The Reg. Z needs to be the same format for both Banks and Brokers.

VI. There needs to be an overall on how to categorize Sub-prime loans because this will add more certainty to the financial markets and give more substance to pricing the portfolios. The current market groups together Sub-prime loans as Jumbos, Stated Income, and low FICO's. New definitions need to be given and the portfolios need to be split. Wall Street and Investors cannot put a price on the portfolios because their too large, complex, and equity of real estate is an unknown derivative. Split the portfolios. Sub-prime should be split into 5 to 9 categories. Sub-prime A should be 20% equity at the time of closing the loan application and fico's of 620+ and income documented. Sub-prime B should be 10% equity at the time of closing. Fico's of 620+ and income documented. Sub-prime C should be 0% equity at the time of closing, Fico's of 660+ and income documented. Sub-prime D should be 0% equity at the time of closing, Fico's of 620+ and stated income. Category A should be the best scenarios of Sub-prime all the way down to the worst case scenarios. This method of categories will adjust the risk factors and give more feedback to the investors of the portfolios. Jumbo loans should be NOT call Sub-prime. Jumbo loans should be another category. Jumbo A should be 25% equity at the time of closing, full documented, and Fico's of 690+. Jumbo B should be 25% down payment at the time of closing, full documented, and Fico's of 620-680. A complete overall of the categorization of portfolios will add a huge confidence to the investors and add more money to the market.

VII. **Punishment with fines and jail time to borrowers that have a home currently and purchase another home because of the lower prices and lower rates and let the first home go into foreclosure after the purchase of the second home.** This should be considered fraudulent dealings. Many borrowers are doing this right now and adding more burdens to the market.

VIII. **Enforcement of all Banks to comply with modifications and assistance to the borrowers that need help with the new rate adjustments that are over 7.5%. Banks hide the assistance for borrowers.** Borrowers are calling 10 times prior to receiving help from their Banks. The Banks do not provide direct access to the modification office. Also, Banks are not providing staff members in the modification office with knowledge on how to help the borrower. The staff members are unknowledgeable and complicate a very simple modification. One has to wonder if the Banks are not purposely complicating the modification system. Another strategy the banks are doing to avoid a modification is by selling the servicing rights of the loan. I have borrowers that request the modification papers, receive the modification papers, and then receive a notice that the servicing has been sold to another company. The borrowers have to start all over again with finding the modification department and asking for new paper work. An establishment of a compliant line directly to government should be done that a consumer is not receiving help from their Bank. After research and analysis, if the Bank is found guilty of not helping the borrowers from a modification, then the punishment to the Bank should be that the Federal Reserve closes the Window of credit to the Bank.

IX. **Enforce Banks to refinance their current high adjustable interest rates without the requirement of appraisals.** Banks can streamline their own loans and they care choosing not to provide this option. A streamline refinance is one that does not require an appraisal. There are too many borrowers that I have spoken to that have interest rates over 8% adjustable and have no equity in the home. These borrowers want to keep their homes and can qualify with full documents at 6% and cannot do anything because of the values being upside down.

X. **Add confidence to the financial markets by NOT asking them to forgive debit off the mortgage but instead to substitute the debit into a second or third mortgage that does not come due until the home is sold.** An example is for borrowers that purchased the home at 1% rate and the rate is now 8% and they can only afford payments at 2/3 of the mortgage amount financed at 6%. Have the lender put the other 1/3 in another 2^{nd} or 3^{rd} position and not be collectable until the home sells and put a time limit due on that other lien for 7 years due and payable with –interest on top due at sale of home or 7 years. In other words, no payments on the 1/3 until the home sells or if no sale occurs, then there is a balloon payment of the 1/3 in 7 years plus deferred interest on top. This action will provide confidence to the Wall Street investors, community still collects property taxes, and borrowers can have a home to live in.

XI. **Lastly, bring long term interest rates up.** The real estate prices will not bottom until interest rates go up. Buyers are waiting to purchase in the hopes that the homes will lower another 100k in price. When you do the math, if rates climb, then the decrease of 100K has no affect in the overall monthly payment savings when the interest rates are higher. As a result, buyers will start to purchase homes when they see that their monthly payments are increasing due to rates increasing. When buyers buy, stability in prices will result. This happened in the mid 90's. We need stability in home prices and not sharp declines. The sharp declines will lower the tax revenues for the counties. Also, foreclosures will slow down. When a borrower of a home sees the prices of home bottom and see more buyers, the borrower will gain more confidence and try to make the home work out and not let it foreclose. Also, that borrower knows that they cannot buy another home cheaper because the new interest rates wipes out the savings of the the cheaper price.

Please consider the following recommendations and help save the Mortgage Broker Industry. I love my profession and it is in great need of preservation.

Thank you,

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