To Whom It May Concern:

Having reviewed your proposed rules to amend regulation Z I have prepared a few comments for your review. My comments primarily pertain to determining suitability of the loan programs for the borrower, and helping the borrower make the most informed decision possible when choosing a mortgage. I think that your proposed rules are a noble effort to bring greater integrity and responsibility to the home mortgage industry. However, from a suitability perspective I think that more can be done to help the borrower become more informed about the mortgage options available and how those options affect their mortgage and financial goals.

One way to do this is to make it mandatory for loan agents to go over a discovery and assessment analysis with the borrower to determine the borrower's needs and goals. I enclosed sample questionnaires that I use when consulting with a borrower. In addition, provide the borrower with financial analysis that give the borrower a detailed financial analysis of how different loan structures affect the borrower's bottom line finances over the period of time the borrower plans to keep the loan. I enclosed samples of the analyses I developed for showing borrower's the various options and how each affects their bottom line over a certain period of time that the borrower plans to keep the loan. The samples are for a purchase transaction, refinance and debt consolidation.

I do believe that the mortgage industry needs to be better at determining suitability and helping borrowers make informed decisions on what is for most the largest and most significant debt obligation, their home mortgage. Requiring all loan officers to have tools like this will help close that gap and make this industry much more professional. As an aside, the tools I developed are available for other loan officers to purchase. I would be happy to provide you with an evaluation copy at your request.

Additionally, I support and agree with the comments submitted by the CMPS Institute which can be found at: http://www.cmpsinstitute.org/pdf/CMPSCommentsforFRB.pdf

Thank you,
Jaime

Jaime Alvarez

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Prepared For:
Sample

Date Prepared: 4/7/2008

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Debt Restructure and Equity Optimization Analysis ™

The following illustration reviews strategies for repositioning equity to pay off non-preferred debt, optimize cash flow, and maximize tax advantages to achieve your financial goals.

Current House Value	$850,000	Tax Bracket (Fed and State)	37.00%

CURRENT DEBT STRUCTURE

EIR: Effective Interest Rate - The net cost of interest after tax deductions.

Type	Creditor	Term (mths)	Rate	Current Balance	Payment	Avg. Monthly Tax Benefit
Mortgage S	OO - Primary	300	5.625%	$370,000	$2,300	$571
Installment	Car Loan	46	6.375%	$25,600	$629	
Installment	Car Loan 2	65	6.100%	$36,500	$661	
Credit Card	Master Card	60	15.000%	$25,000	$595	
Installment	College Loan	80	8.000%	$40,000	$647	
		72	5.000%			
		360	5.000%			
Totals:		**Avg. EIR:**	4.812%	$497,100	$4,831	$571

RECOMMENDED DEBT STRUCTURE

Program	Loan Type		Term (mths)	Rate	Balance	Payment	Tax Benefit
1st	10/1 ARM	Interest Only	360.0	6.000%	$500,000	$2,500	$925
2nd	HELOC	Interest Only	360.0	7.000%			
Totals:			**Avg. EIR:**	3.780%	$500,000	$2,500	$925

ARM Paramenters				Closing Costs:	$2,900	CLTV:	58.82%
Margin	**Index**	**Yrly. Pmt. Inc.**	**Avg. Index**			$2,331	$354
2.250%	6 Mth LIBOR				**Cash Out**	**Pmt Savings**	**Tax Savings**
Rate Caps	2/2/6	**Recast Year**	10		**Total Payment Savings:**		$2,685

REPOSITIONED EQUITY

Type	Amount
Cash Out From Equity	
Savings	
Totals:	

REPOSITIONED CASH FLOW (monthly)

Type	Amount
Savings From Debt Consolidation	$2,331
Average Monthly Tax Savings	$354
Other	
Totals:	$2,685

INVESTMENT ACCOUNT ALLOCATION

	Mo. Inv.	Start Balance	ROI
Fund 1	$2,685		5.00%
Fund 2			7.00%
Totals:	$2,685		

REAL ESTATE VALUE

Current Value	Rate of Appreciation
$850,000	4.00%

PROJECTED NET WORTH COMPARISON

After Year	10		Investment Accounts				
House Value	**Loan Balance**	**Equity**	**Fund 1**	**Fund 2**	**Net Worth**	**Interest Paid**	**Tax Benefit**
$1,258,208	$500,000	$758,208	$418,663		$1,176,871	$300,000	$111,000
Making No Changes To Current Debt Structure							
House Value	**Loan Balance**	**Equity**	**Liabilities**	**Invested Savings**	**Net Worth**	**Interest Paid**	**Tax Benefit**
$1,258,208	$279,196	$979,012		$163,653	$1,142,665	$217,377	$68,515
(Δ Net Worth, Δ Interest Paid, Δ Tax Benefit):					***$34,205***	***-$82,623***	***$42,485***

Advantage of Recommended Debt Structure (Δ Net Worth): ***$34,205***

NOTICE: Information provided is time sensitive material. Rates, programs, fees and points are subject to change without notice. Payments, interest rates, loan balances, and tax benefits are estimates only. Your amounts may be different. This is not a loan commitment, nor is it a guarantee of any kind. This analysis is based solely on estimated figures and information available at the time of preparation. Consult a knowledgable Mortgage Advisor, Financial Planner and CPA before implementing this strategy.

CAUTION: The numbers produced by this analyis reflect certain assumptions which over time may prove to be invalid. Different assumptions can and will produce different results.

"Loans To Fit Your Needs And Achieve Your Financial Goals"

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Debt Restructure and Equity Optimization Analysis ™

Prepared For:

Sample

4/7/2008

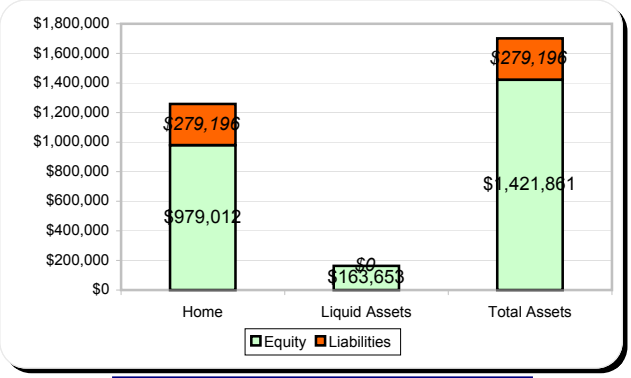
Jaime Alvarez
Certified Mortgage Planner

Current Debt Structure

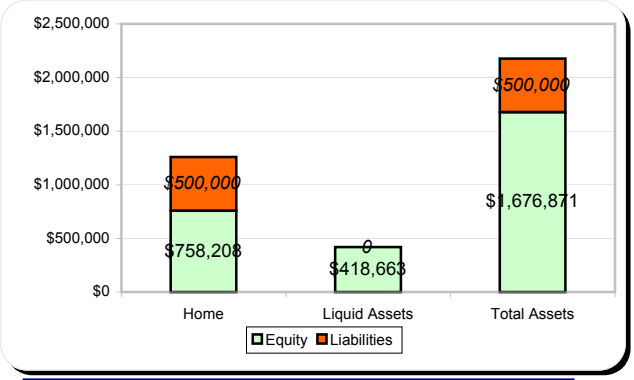
10 year Projections Creditor	Balance	Interest Paid	Tax Benefit	EPR	Investment Savings from Excess
OO - Primary	$279,196	$185,175	$68,515	3.544%	
Car Loan		$3,323		6.375%	$54,367
Car Loan 2		$6,453		6.100%	$40,752
Master Card		$10,685		15.000%	$40,446
College Loan		$11,740		8.000%	$28,088
				5.000%	
				5.000%	
Totals:	$279,196	$217,377	$68,515		$163,653

Recommended Debt Structure

New Loans	Balance	Interest Paid	Tax Benefit	Savings from Excess
10/1 ARM	$500,000	$300,000	$111,000	
HELOC				
Totals:	$500,000	$300,000	$111,000	



Current Debt Structure



Recommended Debt Structure

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Borrowers: Date:

Discovery Questionnaire

1. How soon are you thinking of purchasing / refinancing?

☐ Immediately ☐ 2-6 months ☐ 6-12 months ☐ More than a year

2. How long do you believe you will utilize this real estate asset?

☐ 1-3 years ☐ 3-5 years ☐ 5-7 years ☐ 7-10 years ☐ 10+ years

3. How long do you think you will want to keep this loan?

☐ 1-3 years ☐ 3-5 years ☐ 5-7 years ☐ 7-10 years ☐ 10+ years

4. During this time do you anticipate your income to:

☐ Increase ☐ Decrease ☐ Remain the stable

5. How often have you refinanced in the past and what were the reasons for those transactions?

6. Do you currently have plans for any major purchase in the next 1-5 years?

☐ Car ☐ Medical ☐ Baby ☐ Investment Property

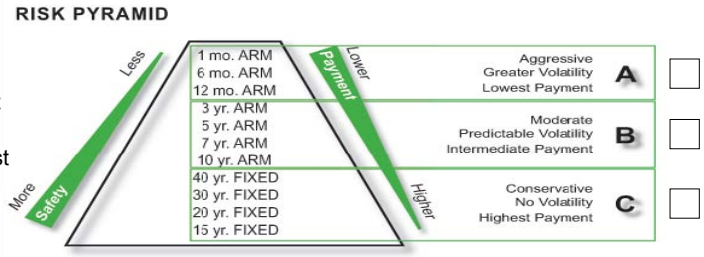
☐ College ☐ Home Improvements ☐ 2nd Home ☐ Other

7. Select the option below that best describes your preference:

☐ Option 1
- Lower Payment
- Higher Tax Deduction
- Pay Little or No Principal

☐ Option 2
- Higher Payment
- Lower Tax Deduction
- Pay Principal Each Month

The chart on the right illustrates the trade-off between fixed and adjustable interest rates. Please indicate the best match, based on your preference between a fixed and adjustable interest rate, by checking the appropriate box on the right.



8. When your transaction is complete, what needs to have happened for you to feel you have met your goals?

9. On a scale of 1-10 (10 being best), please rate your current level of satisfaction in the following areas:

_____ Income Tax Preparation
_____ Financial Advisor / Investment Strategy
_____ Estate Plan

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Certified Mortgage Planner

Borrowers: Date:

Goal Worksheet

1. What is most important about this mortgage to you?

- ☐ Purchase home with a specific budget on down payment and closing costs
- ☐ Qualify for new purchase prior to or without the sale of your existing home
- ☐ Consolidate debt to reduce the total cost of your overall debt and increase savings rate
- ☐ Obtain a target cash out of:
- ☐ Separate home equity to diversify and increase its liquidty, safety and rate of return
- ☐ Reduce your monthly mortgage payment
- ☐ Use equity to supplement income
- ☐ Other:

2. Which of the following personal financial goals are most important to you?

- ☐ Develop a plan to best fund kids college education
- ☐ Increase your savings rate to (% of gross income):
- ☐ Build significant liquid side fund of:
- ☐ Reach my debt freedom point in (years):
- ☐ Move to a larger home within (years):
- ☐ Reach my financial freedom point in (years):
- ☐ Invest in real estate
- ☐ Create a comprehensive financial plan
- ☐ Other:

3. What Threats need to be minimized and/or eliminated to achieve your goals?

4. What Strengths need to be reinforced and maximized to achieve your goals?

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Certified Mortgage Planner

Borrowers: Date:

Mortgage Planner Findings

Based on our conversation regarding your mortgage and financial goals, and my detailed financial analysis I present the following recommendations, opportunities, and findings to help you best achieve your goals:

Findings:

Opportunities:

Recommendations:

Borrower feedback to recommendations and decision.

Prepared by: **Jaime Alvarez** (408) 377-8876 jaime@loansforwealth.com
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Prepared For:
Sample Borrower

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Date prepared: 4/7/2008

Mortgage Net Cost Analysis™

The purpose of this analysis is to help you make an informed decision in selecting a loan program and structure that's right for you. This analysis provides a side-by-side analysis of various debt structures in conjunction with a savings strategy to best achieve your financial goals.

Summary

This table summarizes the payments and points cost for the loan options available.

Tax Tip:
For home purchases points paid on a loan are fully tax deductible for the year the points were paid.
For refinances points paid on a loan are fully tax deductible for the year the points were paid only if your monthly payments were reduced and the savings are used for home improvement. Otherwise, they are tax deductible over the life of the loan.

	15 yr FRM	30 yr FRM	10/1 ARM	10/1 ARM IO
Loan Amount	$594,000	$594,000	$594,000	$600,000
Interest Rate	5.875%	6.250%	6.000%	5.625%
Term (months)	180	360	360	360
Interest Only	No	No	No	Yes
Points Cost	$0	$0	$0	$6,000
Initial Payment	$4,972	$3,657	$3,561	$2,813
Net Savings	$0	$1,315	$1,411	$2,160
Balance Sheet	$594,000	$594,000	$594,000	$594,000

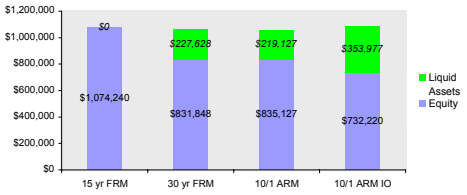
Principle and Interest Projections

The analysis on the right evaluates and compares the interest costs and principle payments over the indicated time period for the loan programs under consideration.

Months: 120	15 yr FRM	30 yr FRM	10/1 ARM	10/1 ARM IO
Total Payment	$596,698	$438,883	$427,360	$337,500
Principal Paid	$336,021	$93,628	$96,907	$0
Interest Paid	$260,677	$345,255	$330,453	$337,500
Balance Left	$257,979	$500,372	$497,093	$600,000
Interest Savings	***$0***	***-$84,578***	***-$69,775***	***-$76,823***

Net Worth Analysis

The analysis on the right evaluates your net worth gain based on home appreciation and investing the difference in payments into a side account that is providing a return on investment.



NOTE: This analysis does not consider the tax implications of the investment. Please see a qualified tax advisor.

CAUTION: The numbers produced by this analysis reflect certain assumptions which over time may prove to be invalid. Different assumptions can and will produce different results.

Current Home Value: $900,000 | Home Appreciation Rate: 4.0%

Payment Diff	$0	$1,315	$1,411	$2,160
Additional Savings	$0	$0	$0	$0
Total Monthly Investment	$0	$1,315	$1,411	$2,160
Start Balance	$0	$0	$0	$0
Investment Net Return	7.00%	7.00%	5.00%	6.00%
Home Value	$1,332,220	$1,332,220	$1,332,220	$1,332,220
Loan Balance	$257,979	$500,372	$497,093	$600,000
Equity	$1,074,240	$831,848	$835,127	$732,220
Investment Acct. Growth	$0	$227,628	$219,127	$353,977
Mortgage Free In (months)	***180***	***187***	***182***	***175***
Net Worth	$1,074,240	$1,059,476	$1,054,254	$1,086,197
Δ Net Worth	***$0***	***-$14,765***	***-$19,987***	***$11,956***

Average Monthly Tax Benefit

The tax bracket used includes your combined Federal and State tax bracket. Be sure to contact your tax advisor for a more accurate estimate of your tax savings.

Tax Brac: 37.0%	15 yr FRM	30 yr FRM	10/1 ARM	10/1 ARM IO
Avg. Monthly Tax Benefit	$804	$1,065	$1,019	$1,041
Difference	$0	$261	$215	$237
Tax Benefits for Points Paid:	$0	$0	$0	$2,220
After 120 Mths	$96,451	$127,744	$122,268	$127,095
Difference	$0	$31,294	$25,817	$30,644

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Sample

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Date prepared: 4/7/2008

Mortgage Net Cost Analysis ™

Summary

This table summaryzes the payments and points cost for the loan options available.

Tax Tip:
For home purchases points paid on a loan are fully tax deductible for the year the points were paid.
For refinances points paid on a loan are fully tax deductible for the year the points were paid only if your monthly payments were reduced and the savings are used for home improvement. Otherwise, they are tax deductible over the life of the loan.

1st Loan	**FA, 20% DP**	**FA, 10% DP**	**IO, 10% DP**	**IO, 10% DP**
Loan Amount	$800,000	$800,000	$800,000	$800,000
Interest Rate	6.250%	6.250%	6.250%	5.875%
Term (months)	360	360	360	360
Interest Only	No	No	Yes	Yes
Points Cost	$0	$0	$0	$8,000
P&I Payment	$4,926	$4,926	$4,167	$3,917
2nd Loan				
Loan Amount	$0	$100,000	$100,000	$100,000
Interest Rate	8.250%	7.000%	7.000%	7.000%
Term (months)	360	360	Interest Only	Interest Only
P&I Payment	$0	$665	$583	$583
Total Payment	$4,926	$5,591	$4,750	$4,500
Net Savings	$0	-$665	$176	$426
Balance Sheet	$800,000	$800,000	$800,000	$800,000

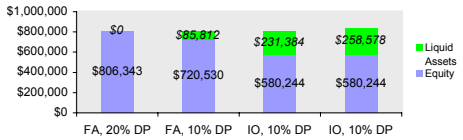
Principle and Interest Projections

The analysis on the right evaluates and compares the interest costs and principle payments over the indicated time period for the loan programs under consideration.

Months: 120	**FA, 20% DP**	**FA, 10% DP**	**IO, 10% DP**	**IO, 10% DP**
Total Payment	$591,089	$670,925	$570,000	$540,000
Principal Paid	$126,098	$140,286	$0	$0
Interest Paid	$464,990	$530,639	$570,000	$540,000
Balance Left	$673,902	$759,714	$900,000	$900,000
Interest Savings	***$0***	***-$65,649***	***-$105,010***	***-$75,010***

Net Worth Analysis

The analysis on the right evaluates your net worth gain based on home appreciation and investing the difference in payments into a side account that is providing a return on investment.



NOTE: This analysis does not consider the tax implications of the investment. Please see a qualified tax advisor.

CAUTION: The numbers produced by this analysis reflect certain assumptions which over time may prove to be invalid. Different assumptions can and will produce different results.

Current Home Value: $1,000,000 | Home Appreciation Rate: 4.0%

Monthly Investment	$0	-$665	$176	$426
Additional Savings	$0	$0	$0	$0
Total Monthly Investment	$0	-$665	$176	$426
Start Balance	$0	$100,000	$100,000	$92,000
Investment Net Return	7.00%	7.00%	7.00%	7.00%
Home Value	$1,480,244	$1,480,244	$1,480,244	$1,480,244
Loan Balance	$673,902	$759,714	$900,000	$900,000
Equity	$806,343	$720,530	$580,244	$580,244
Investment Acct. Growth	$0	$85,812	$231,384	$258,578
Net Worth	$806,343	$806,343	$811,628	$838,822
Δ Net Worth	$0	$0	$5,285	$32,479

Average Monthly Tax Benefit

The tax bracket used includes your combined Federal and State tax bracket. Be sure to contact your tax advisor for a more accurate estimate of your tax savings.

The Net Benefit considers the combined effect of the tax benefits and net worth to provide the actual benefit of the loan program and savings plan. The higher the Net Benefit, the more advantageous it is compared to the other loan programs.

Tax Brac: 37%	**FA, 20% DP**	**FA, 10% DP**	**IO, 10% DP**	**IO, 10% DP**
Avg. Monthly Tax Benefit	$1,434	$1,636	$1,758	$1,665
Tax Benefits for Points Paid:	$0	$0	$0	$2,960
After 120 Mths	$172,046	$196,336	$210,900	$202,760
Difference	$0	$24,290	$38,854	$30,714
Net Benefit:		***$24,290***	***$44,139***	***$63,193***

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