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Comments:

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Comments:
The most glaring flaw with the concept of further regulating a lender's determination of a borrower's ability-to-repay is that your proposal doesn't achieve anything not already happening in the current mortgage origination market. Instead it only serves to eliminate some niche loan products that cater to borrowers that have income coming from a multitude of income sources that cannot be readily documented. This rule will lock another segment of the market from home ownership. It will force these borrowers to borrow from exempt lenders that federal agencies or state banking do not regulate. Those private lenders currently lend at high cost rates and terms to compensate themselves for a perceived higher risk. As we speak, most state banking departments require lenders that are making loans over 150 to 175 bps over the comparable treasury to verify through third party documentation a borrower ability to pay. This rule will be duplication to their regulations.
Currently, the federal Govt controls 90% of the residential mortgage market. Of the loan products that the Govt controls, all of them require a written, documented through third party sources, a borrower's ability to repay the mortgage debt. Even with this requirement, it still has not slowed down foreclosure filings. Full documentation loan defaults had overcome sub prime reduced documented loans defaults in 2008. Only a strong and sound economic policy coupled with a realistic deficit reduction plan, will be able to keep families in their homes through lower mortgage defaults, not enhanced mortgage production guidelines. Your proposal relies on lenders repeating the underwriting mistakes of the past - an instant disqualification for the secondary market. It was that mistake that encouraged the then Secretary of HUD, Andrew Cuomo in 1998 to design socially engineered mortgage products designed to benefit those who could not normally qualify for a mortgage at that time. 'Even though the higher risks meant higher defaults', Mr. Cuomo felt that the benefits far outweighed the risks. Government involvement in the

following years to expand the mortgage market to serve the underserved became the major factor in the melt down of the mortgage market. If the government get involved, we would not be in the mess we are in now. Now the Federal Reserve wants to further restrict mortgage loan underwriting which will open the door to Govt officials to pander to the public in the name of fairness; the catalyst for a repeat of the current mortgage market. This new regulation seems to just be another impediment to a real estate recovery. Former Chairman of the Federal Reserve, Alan Greenspan said it correctly, that the federal government's over involvement in the real estate market has impeded its recovery. He is right and here we go again.