From: Crescent State Bank , Mark Fenton

Proposal: 1417 (RIN 7100-AD75) Reg Z - Mortgage Repayment Standards

Subject: Reg. Z

Comments:

To whom it may concern:

I wanted to make some comments on the proposed "ability to pay" proposals as well as the "QM" under the Dodd-Frank Act. I'm also going to add some commentary as to what I would like to see develop in the mortgage industry going forward.

To give you my background: I have been in Mortgage Banking since 1983 and have worked for "to big to fail" banks most of my career. I worked at Wachovia and left them prior to their failure after purchasing Golden West. It was obvious that greed had driven their desire to have a presence in California and the product Golden West offered was a terrible loan product that would turn into failure because of its design. I currently work for a small community bank running its mortgage division.

1. I would like to urge you to adopt a safe harbor that the ability to repay standard has been met. We need clear standards so lenders can readily determine and prove compliance.

2. With the points and fees limits, I would suggest you consider raising the threshold loan amount. I think your current rule will unduly affect our lower income borrowers.

3. You need to revise your stance on "points and fees" to exclude employee compensation. The "Points and fees" should not count double counting of any item.

4. The proposed rule leads to fewer safe and sound product options to consumers due to treatment of PMI premiums which could increase the dominance of government loans in certain markets.

5. I ask that another proposed rule be published for comment before final adoption and implementation.

My personal thoughts on why we're in this situation but I'm not sure you'll do anything about it because the deepest pockets have a bigger stick:

I have not read any communication talking about trends we saw in the mortgage business from early 2000 up until the collapse in our economy specifically defined toward the building industry, real estate offices, along with lenders.
I want to share my observations because most of us who understand lending and

credit saw this coming.

· In the 21st century we experienced an interesting trend that grew into a monster. That is National Builders entering markets and building vast amounts of housing. With this, they opened up their own mortgage shops, and according to RESPA they were legitimate. I don't care what they called their operations or how it was a separate corporation. No matter how you legally spin it, the builders owned their own mortgage companies. Then, they offered special home upgrade packages if they used their lender. Hmm, you think there might be some conflict here. The builder has sold their house, they can't close unless they get the mortgage done and by having their own mortgage unit they can certainly control that better!!!! Then, you had the large national lenders such as Countrywide that had agreements with some of these large builders that said either close our loans or we'll find someone else too. All of this control and frenzy of building by the nationals along with their power to influence the mortgage was a recipe for disaster. Take a look at where you have your highest foreclosure rates on government backed mortgages. I'll bet your statistics will show a trend that is based on where the nationals were building along with either an agreement with a large national lender or their own mortgage company

· The second trend you experienced was mortgage companies joining forces with real estate companies. Take a look at the large national real estate firms that have some type of joint venture, marketing agreement or desk rental agreement. RESPA allowed for this but if you think for one second that by having a mortgage company inside the real estate firms offices created a better opportunity for the consumer then you are wrong. In order for any of these agreements to work, they have to charge the borrowers higher rates to pay for all the parties involved with the joint operation. The realtors, even though they are not compensated are certainly (talked too) about how important it is to refer their clients to their in house lenders. Now you have in-house lenders paying the owner/broker of the real estate company to be there, and the clients or borrowers are not getting a better deal!!!!

I highly recommend you start looking at how these type of relationships have skewed the ability for the consumer to get the best deal. We needed to eliminate lenders who were not ethical or had no clue how to really underwriter credit and make good lending decisions. We needed to eliminate the broker community who falsely led people to believe that they sold to "many" investors so they could find the best deal for the consumer, when in reality they were finding the best deal for themselves making ridiculous profits off of individual borrowers.

If you want to fix this thing, don't eliminate or shackle good lenders who know their customers and make good underwriting decisions. If you continue to create more regulatory limitations you'll drive up the costs and certainly eliminate a lot of good borrowers from qualifying.

Regulate the lenders so we have the ability to make good residential loans to good borrowers using sound underwriting guidelines. Take a look at lenders delinquency rates over a period of time and those that are higher should be dealt with, but those who have followed the rules and made good sound decisions shouldn't be punished for greedy lenders who care about their pocket book more than doing the right thing. Get rid of RESPA loopholes that make it possible for Real Estate Firms or Builders to own or have an affiliated agreement with other lenders.

Thanks for your time, and even though my thoughts are somewhat simplified, I understand the complexities of the situation. I believe our industry needs changes, but we have to be careful to understand who we're protecting. Are we trying to hurt the Mortgage Lenders or help the consumer?

Best Regards,

Mark Fenton
Crescent State Bank