

From: "Mark Peterson" <Mark@westernmortgagebrokers.com> on 04/06/2008 10:10:06 PM

Subject: Regulation Z

Regarding the proposed amendments to Regulation Z, the Truth in Lending Act and the Home Ownership and Equity Protection Act:

One big concern is the setting of absolute APR caps for a Prime vs. a Non-Prime (or "High Cost") threshold. The present market conditions on spreads between the yield on treasuries and the offered rate on many Agency/GSE Conforming Prime and almost all Non-Conforming Prime loans will cause very significant impacts to borrowing consumers as many unintended products will hit and exceed the first mortgage thresholds as set forth in the proposed amendments. Even Fannie Mae and Freddie Mac have instituted unprecedented pricing adjustments for many different variables, including pricing increases for credit score tiers, loan-to-value tiers and the like.

One must then also consider that APR calculations include the factoring of 60 months worth of monthly mortgage insurance premium payments. Mortgage insurance premiums have increased significantly in the past year, and presumably rightly so. That said, in combination with rate spreads on Agency/GSE offered product, a vast amount of Prime loans with mortgage insurance, particularly in the Jumbo category (due to higher rates than conforming loan amounts right now by a wide margin) or with smaller conforming loans (because some closing costs are fixed or relatively fixed, and will cause an APR to be higher at lower conforming loan amounts) will hit the APR caps that are being proposed and will essentially be greatly curtailed or will be eliminated from the marketplace due to higher risks associated with exceeding the APR caps as proposed (and being deemed "High Cost"). This will cause even fewer home buyers to be able to participate in the marketplace (because many don't have the required 20% down payment to avoid mortgage insurance premiums) and will therefore exacerbate, not improve the present financial and real estate market situation.

Eric Wiley
Senior Vice President/COO

Pacific Residential Mortgage, LLC
2 CenterPointe Drive, STE 500
Lake Oswego, OR 97035
503.619.0483 (direct line)
F 503.670.0674
www.pacresmortgage.com

Mark G. Peterson, President
Western Mortgage Brokers, Inc.
1551 Pearl Street Eugene, OR 97401
541.341.1400 (ph) 541.341.1609 (f)
Oregon License # ML - 2065
Washington License # 510-LO-46802