

NationsBest

Financial Services Inc.

3035-J Boone Trail Extension • Fayetteville, North Carolina 28304
Tel 910.223.9450 • 888.287.4221 • Fax 910.223.0472 • 888.287.4223
www.nationsbesthomeloans.com

RECEIVED BY
THE OFFICE OF
THE COMMISSIONER OF BANKS

DEC 06 2006

December 5, 2006

NC Commissioner of Banks
316 W. Edenton Street
Raleigh, NC 27603

Subject: Comments on Proposed Guidance on Non-traditional Mortgage Product Risks

In the third paragraph of I., Introduction, the sentence is awkwardly worded. The definition of providers in this sentence seems to include mortgage brokers as a defined provider. This sentence would be more clearly worded if it was changed to, "...to clarify how mortgage bankers (referred to as "providers") and mortgage brokers can offer..." Without this change the sentence can be read to mean that mortgage brokers are providers which they clearly are not. In the second paragraph of the Proposed Guidance, it states "...mortgage bankers and mortgage brokers (referred to as "providers") have... Mortgage brokers do not provide loans, they are third party originators.

This is an important distinction. As a broker I do not underwrite loans. Yet the proposed guidance sets tasks for providers that assume the provider does their own underwriting. For example, on page 3, the second paragraph states that management should: Ensure that loan terms and underwriting standards are consistent with prudent lending practices, including consideration of a borrower's repayment capacity. If this guidance is asking mortgage brokers to independently set underwriting standards, something is logically wrong. This task is not within the scope of mortgage brokers.

In the Third-Party Originations paragraph on page 7, it starts out: "Providers often use third parties, such as mortgage brokers..." I read this that a mortgage broker is not a provider.

I personally share your concerns with these types of loans. My company has only brokered one loan in the past three years that has a potential for negative amortization and that was to a doctor with a net worth in the millions who was refinancing a beach property. He knew what he was doing and exactly why he was doing it.

As brokers can originate these types of loans, you may consider some type of standard disclosure signed by both the customer and the loan officer. Such a disclosure might give examples of the potential negative amortization, similar to the State disclosure regarding Amortization of Home Loans.

In summary, you need to make the definition of **provider** very clear. If your intent is to include mortgage brokers as providers, then you set tasks for brokers that are inconsistent with what brokers actually do.

Sincerely,

A handwritten signature in cursive script, appearing to read "John D. Szoka".

John D. Szoka
President