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Sent: Thursday, November 30, 2006 10:01 AM
To: comments
Subject: Possibly spam:

I am writing in response to the information on non traditional mortgages you sent, and requested comments on.
I fully agree that marketing and underwriting on these types of mortgages has gotten too lax. As a mortgage broker, I watch TV and am constantly bombarded by adverts touting the benefits of a refi relating to payment savings. I think many of these ads are doing exactly what you are trying to curtail.
I will respond to your bullet points in sequence for clarity.

1 I think that non-bank mortgage lenders have the potential for less oversight and regulation regarding these products because after they are booked they are no longer the direct responsibility of the broker or LO.

2 As I am a very small shop, there would not be much impact on my costs. Further I already enforce ensuring products are appropriate for clients needs rather than simply "selling them something." I feel that although I am overburdened with the current level of disclosure and documentation requirements, there should be disclosure requirements on these types of products to ensure that proposed clients are fully aware of the risks associated with them. I further feel that advertising for these types of products should have some disclosure requirements as to not mislead clients down the wrong road. Once clients perceive a payment savings, they are less likely to fully digest and information given to them later.

3 In Western North Carolina I see a fair amount of use of these products. Most of the balloon notes I have worked on are for clients who have a unique situation where they have a delayed cash flow, but need funds now for refurb or home improvements. Some clients are looking for balloon notes to buy speculative real estate with the intention for repayment from the sale of the property. While all of these are not "bad" loans, if the property is in an area with high probability of a fast sale with excess equity probable they can be allowable. Likewise if the client has the liquidity and current cash flow to support the debt service for an extended amount of time, it might be an acceptable product. Marketing these product to the mass market as a monthly payment savings tool is inappropriate.

4 I do not know that I would not include reverse mortgages in this guidance. While there are not many being sold that I am aware of, they can be high risk and very inappropriate for some borrowers.

Thank you for using Creative Mortgage Solutions
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