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INDEPENDENT REGULATORY REVIEW COMMISSION

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DEPARTMENT OF BANKING
LEGAL SECTION

8/16/2007

Pennsylvania Department of Banking
Attn: Office of Chief Counsel
17 North Second Street • Suite 1300
Harrisburg, PA 17101

Dear Council:

I am writing this letter in response to the new mortgage regulations that have been proposed by the Pennsylvania Department of Banking (DOB) and are being considered by the commonwealth's Independent Regulatory Review Commission (IRRC). While I understand and agree with the spirit and goal of the new regulation – to protect consumers from facing financial hardship – I strongly believe that these regulations are not needed and will do more harm than good.

I take particular exception to the section of the new regulations that seeks to effectively eliminate Low/No Doc type loan programs. I can tell you from my own 23 year experience in the industry that these loan programs have a valid place in the market when utilized correctly. It is my professional opinion many of these loan programs are not the problem, but rather that they have been used incorrectly by a minority of inexperienced and/or inept or loan originators.

I am a strong believer in allowing the markets to correct themselves without more government intervention which we already have way too much of in mortgage lending. As I am writing this letter, the market has and is continuing to adjust lending guidelines on Low/No Doc loans, High LTV loans, Pay Option ARM loans and all loan programs for borrowers with lower credit scores. Current lending practices and risk are being re-evaluated throughout the entire mortgage industry which includes the GSE's (FNMA/FHLMC), Secondary Mortgage Securitizers and the rating agencies of Moody's and S&P. Bond holders of mortgage backed securities are also looking closely at what they have bought and are demanding more transparency and stricter underwriting on the riskier traunches.

Mortgage lenders have become more diligent to identify areas of loan risk and potential fraud. Lenders now have availability of many sophisticated tools to help them identify areas of concern within a loan file that could be misrepresented or even fraudulent. Non-performing loans have been studied with diligence to understand why they have not performed and this data has been used in many cases to modify lending policies and/or change guidelines. Many mortgage lenders (large & small) have recently faced the ultimate price for some of their missteps regarding loan risk. The industry will learn from this and become better from it without additional & needless governmental laws that will prove to anti consumer oriented and put Pennsylvanians at a competitive disadvantage.

Putting lending practices aside for the moment, I would also like to remind the DOB and IRRC that the main reasons for foreclosures have remained consistent before, during and probably after the current housing cool down – loss of job, divorce, illness and other unexpected lifestyle changes, but not Low/No Doc loans. A troubling side effect of these new regulations will be the elimination of credit options for people who are currently struggling to get loans.

I myself have recently refinanced my home with a loan program that did not require me to verify income or assets. I have excellent credit and was perfectly capable of verifying my income and assets; but because of my risk profile I was able to streamline my loan process by eliminating the income/asset documentation verification steps. Your proposed regulation would have not made this type of loan possible for me and the result would have cost me more time and aggravation to complete my loan transaction as well as additional expense because I would have needed to lock my loan for a longer period which costs more money.

Please say no to this crippling and misguided proposal that will without a doubt put both Pennsylvania consumers and mortgage professionals at a competitive disadvantage.

Best Regards,

Robert Dunn
Account Manager, Wholesale Lending

SunTrust Mortgage, Inc.