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INDEPENDENT REGULATORY
REVIEW COMMISSION

376 Laurelwood Drive, Lebanon, PA 17042

Phone: 717.9642289

Fax: 707.922.2289

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August 16, 2007

Pennsylvania Department of Banking
Attn: Office of Chief Counsel
17 North Second Streets - Suite 1300
Harrisburg, PA 17101
Fax: (717) 783-8427

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DEPARTMENT OF BANKING
LEGAL SECTION

Gentlemen:

Subject: Proposed Revisions to Title 10; Part IV; Chapter 46.2. Proper Conduct of lending or brokering in the mortgage loan business.

The following comments are submitted in response to proposed changes dated July 05, 2007.

Background

Carteret Mortgage Corporation, the fourth or fifth largest mortgage brokerage company in the U.S., was incorporated in Virginia in 1996. It has offices in all 50 states and employs over 2000 loan originators. Carteret opened its first branch in Pennsylvania in Lebanon, PA in November, 1997.

My name is Herbert Braden and I opened the first Carteret Branch in Pennsylvania. I am a licensed professional engineer in New Jersey. I am personally licensed to broker mortgage loans in Pennsylvania, New Jersey, Virginia, Delaware, Texas, Alaska, Iowa and California.

Comments

#46.2 (e) Evaluation of applicant ability to repay

This section instructs the mortgage broker to conduct an analysis ending with a statement as to the ability of the applicant to repay the loan. The broker is not qualified to complete this analysis. The broker is qualified to collect and organize data. At the present, this data is submitted to the lender's underwriter for analysis and the definition of risk for the lender. It is submitted in a uniform format (Fannie Mae) and documented as required.

All loans carry risk of non-payment. It is the function of the underwriter to quantify and classify the element of risk on each loan. The risks are driven by more than income. Items which must

be considered are the credit history of the applicant, current monthly payments for other than housing by the applicant, the credit history, and other obligations such as child support, the condition and value of the property. The loan which does not meet minimum risk criteria by the lender will be rejected by the lender. It may be submitted to a second lender who may use different risk measurement criteria.

I suggest that, if the Department of Banking requires this ability to repay analysis be done by the broker, the Department provide instructions on conducting the analysis and also include the format of the final "ability to repay" report. The Department must also establish criteria to permit an approval. In other words, the Department must establish Pennsylvania mortgage loan underwriting criteria in order for the proposed program of broker underwriting to proceed.

#46.2 Documentation of income

The proposed language prohibits stated income or no doc loans in Pennsylvania. This would deny mortgage loans to the following types of borrowers: people with primarily seasonal and variable income (entertainers, resort operators, restaurants with seasonal business, commissioned salesman with a few large transactions each year, part time teachers, elderly borrowers with poor or no documentation on benefits).

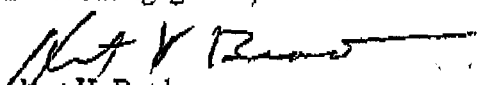
Please note that the majority of no-doc loans are cash-out home equity loans. I have never used a no-doc loan on a primary residence purchase. The secondary market is volatile on this type of loan. However, an increase in defaults on no-doc or stated income loans will trigger an immediate correction by the lenders. The market for these instruments is self-healing.

Also, it is appropriate to demand that undocumented income loans be restricted to borrowers with good credit.

Also, it may be appropriate to prohibit this type of loan to salaried borrowers.

Thank you for your interest.

Carteret Mortgage Corporation


Herbert H. Braden
Branch Manager and Vice President