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Comments:
Part of me feels that commenting on something the Fed is going to do is like being asked what color I want the sky to be tomorrow. I can pick any color as long as it is light blue. After having my income cut by one third on April first I now know they will do what they want; Constitution be damned. Did you know that the problem has already been solved? You see there is only one reason that a mortgage can be the reason that a person is forced into foreclosure. It is not because of the interest rate or the fees or the yield spread paid by the lender. It is not because of the amount of points that were paid or if the appraisal was order by the lender or a management company. In fact, despite popular belief, if the value of a home drops below what a person owes, the bank will not foreclose on them. The only reason that a person is forced into foreclosure is because their payment becomes more than they could afford. Now this can be caused by many reasons but there are only 2 ways it can be the fault of the loan. 1. The borrower has an adjustable rate mortgage and the payment adjusted to more than they could afford. The solution for this one is simple, although politicians will not like it because there will be no one to blame and it will not win very many votes. This will actually solve the problem not pander to the people who are complaining about it. I am making an assumption that whoever is going to read this has an understanding of the mortgage industry and does need me to hold their hand and explain every concept. If a borrower wants an adjustable rate mortgage, in most cases the qualifying rate for that loan is the start rate. Now in the event of a conventional 5/1 based on the 1 year labor the adjustments are 5/2/5. If the loan can adjust up to 5 % over the start rate as the worst case why not make that the qualifying ratio? Then when the payment adjusts the borrower should be able to handle the payment. If they can't and here is where you lose votes, it is not the fault of the mortgage, originator, lender, servicer, broker, correspondent, table funder, TPO, or any third party. Something other than the loan is the reason the borrower is in default. (this is a hard sell because

how can people like Barney Frank get elected without someone to blame for his constituents problems) If the borrower does not qualify for the fully indexed rate then unfortunately they will have to settle for borrowing less money or taking out a fixed mortgage. 2. The income that was provided by the borrower was not accurate. Although there is no longer any market in either the primary or secondary that will accept a stated loan, let's just for arguments sake say there is. (Yes I know that AG Edwards, Merrill Lynch and other brokerage houses will do them but it is the cross collateralization of the borrowers other investment assets that mitigates the real risk at 70 percent max CLTV)
This is the one that has me laughing. You want to make a rule that is punishable by possible lawsuit (got to please those lobbyists) for something that is already done. Do away with stated income and no income loans. Are you ready for this, it was already done! Now we in the industry, after seeing the colossal cluster expletive deleted that became LO comp, have a fear that you will reach in your expletive deleted an pull out another rule that becomes the new uninterpretable low hanging lawsuit fruit of how debt ratio is determined.
45-55 percent backend ratio depending on the compensating factors that a borrower may have is the standard and should not be "improved upon" by the FED. The method for determining income be it for a self employed or W2'ed borrower is in place and effective. If these methods of determining income are the only way that a borrower can qualify then the lender will only lend the amount of money that the borrower can afford to pay back. Please do not think you are helping by making mandatory ratio requirement or reinventing the way income is determined.
Yes the bank lobbyists paid big bucks for LO Comp. This one time, tell the representatives, senators and congressmen that this one thing cannot be bought
Now I could touch on the Neg Am loan but that in essence is a loan that the payment adjusts. If the borrower can qualify for a fully indexed payment base on 115 percent of the original loan amount then so be it. I wrote 3 of those loans. They were written in 2002 and I have contacted the borrowers and all three paid their homes off using that loan by 2009. That loan is now gone and in my opinion, good riddance You have done enough to restrict the mortgage industry. STOP. Let the current rules work and take effect. You have "helped" enough. Respectfully, Jim Clemente.

PS- I have put my personal phone number on every letter I have written and not one time has a politician had the stones to call me. Sure I have chewed up my share of cube dwelling yes men that called on behalf of someone. But for a poitician to call and say, "Hey you are wrong and here is why".. Never, not since 2007 when this travesty was first put out for comment.