

**TESTIMONY OF
L. ANDREW POLLOCK
PRESIDENT & CEO
FIRST FRANKLIN FINANCIAL CORPORATION**

**BEFORE THE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE**

HEARING ON THE SUBPRIME MORTGAGE MARKET

March 22, 2007

Mr. Chairman and Members of the Committee:

My name is Andy Pollock and I am President and CEO of First Franklin Financial Corporation. I appreciate the opportunity to testify today on the state of the subprime mortgage industry.

Over the last few weeks, the mortgage industry has been at the center of the financial news, with the current market conditions presenting significant challenges for some firms in the industry. I wanted to take this opportunity to share with you my thoughts on the subprime market and where First Franklin fits into that market.

First Franklin has been in the residential mortgage business for 25 years, successfully managing the business through various economic and credit cycles. We are proud of our long history of providing expanded and fair access to credit to all creditworthy individuals. We have a proven history as a responsible lender, and a critical component to our success has been the disciplined underwriting we embrace as a company. We have enabled hundreds of thousands of hard-working families and individuals to realize the American Dream of homeownership over the quarter century that we have been in

business. Three months ago we were acquired by Merrill Lynch and we operate as a stand-alone operating subsidiary of Merrill Lynch Bank & Trust Co., FSB.

First Franklin is an acknowledged leader in the subprime marketplace, originating loans with higher credit scores, lower delinquency rates, and generally higher performing mortgages than many other subprime lenders.

As I will demonstrate, we also are committed to responsible lending standards which help protect consumers.

Our Lending Practices

By strategic design, First Franklin has strengths that many other lenders in the subprime market do not. Specifically, we employ underwriting standards that assure the quality of the loans we originate. These underwriting standards are designed to ensure that borrowers can afford to repay the mortgages we originate, as well as those we have originated in recent years.

First Franklin has one of the lowest delinquency rates in the industry—a testament to our underwriting standards and to the high quality of the loans we originate. It is our goal not only to allow more Americans to be able to buy homes, but to assure they have the capacity to keep them. To further our goal, as a matter of policy:

- We do not originate or purchase “high cost” loans as defined by federal or state law.
- Prior to making owner-occupied refinance mortgage loans, we require a net tangible benefit to the borrower.

- We do not make loans based solely on collateral value; specifically, all loans are underwritten based on the applicants credit history and ability to repay the debt.
- We do not originate or purchase negative amortization subprime loans.
- We do not engage in packing fees; specifically, we limit the amount of origination fees and costs which can be financed.

In addition:

- If prepayment penalties apply, they are fully disclosed, and they are limited to the first 3 years of the loan. Borrowers are always offered a “no prepayment penalty” option.
- We maintain strict broker approval and monitoring guidelines.
- We cap broker compensation.
- We do not sell single premium credit life insurance or similar coverages.
- We do not originate or purchase short term balloon loans.
- Interest rates do not increase upon payment related default.

We also comply fully with the Interagency Guidelines on Non-Traditional Mortgage Product Risks. These agencies have also recently proposed a Statement on Subprime Lending, of which we endorse the key principles.

Conclusion

The shake-out in the mortgage market has taken place quickly for those originators that did not maintain a commitment to quality or a culture of discipline. First Franklin’s 25 years of industry experience and our commitment to responsible lending standards has allowed us to weather the current difficult situation, and will enable us to continue to succeed in the future.

First Franklin intends to remain a leader in the residential mortgage market by adhering to prudent industry practices that will help consumers achieve and maintain homeownership. Wealth creation and financial security often begin with homeownership. We have a commitment to lending practices that help homeowners make economically sound decisions, and to keep their homes.

First Franklin appreciates the opportunity to appear before you today. I would be happy to answer any questions that you may have.