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Comments:
Like much of the Dodd-Frank Bill, it is vague and ultimately detrimental to the public. There are many factors that determine a person's "ability to pay" - not just income computed by a very restrictive methodology (ie. Fannie/Freddie). Ability to pay must take into account credit history (do they demonstrate a HISTORY of paying their bills and especially a mortgage / rent in a timely manner?) Liquid assets are also a very important in determining "ability to pay" - "asset depletion" is indeed a very viable factor when computing a persons ability to pay. It is a fact that borrowers with assets pay their bills!! Asset depletion simply means when analyzing a persons ability to pay all "non-retirement" accounts are "liquidated" over a 10 year span and used as income. The equity position in the property is also a factor. Borrowers that have much to loose (ie they have a lot of equity in their property) make their mortgage payment. The fact is the lowest risk mortgage for a Fannie /Freddie or a bank is to the borrower that has excellent credit (say over 720), significant liquid assets (12 mos payments or more) and favorable equity (70% LTV or less) These borrowers default at the lowest rate than anyone and notice NO mention of "income". Ability to pay is not JUST a computation of perceived "income" Since the mortgage melt-down in 2007, mortgage delinquencies on mortgages closed starting in Q4 2007 until now have dropped drastically. The market has changed without "legislative intervention". In fact the underwriting has become so strict that low-risk borrowers (i.e. excellent credit, significant liquid assets, favorable equity position) are being denied a mortgage because their "income" as computed by a very restrictive methodology is determined to be "insufficient" to service the mortgage payment. Ability to pay is not just a "debt ratio" based on a restrictive computation methodology. Ability to pay is a combination of multiple factors, the MOST important being (in order) Loan-to-value, Credit score, liquid assets, INCOME, compensating factors (length of job, length of residence, very high credit scores / significant assets etc.). What

legislators have to focus on is not the borrowers ABILITY to pay (i.e. income) but the LIKELIHOOD they will pay based on multiple factors. The problem in the past where "liar" loans to borrowers with a low likelihood of payment because of sub-par credit scores, little equity in the property, no verified liquid assets. This proposed legislation (or its 'interpretation' since like most of Dodd-Frank it is so vague) will NOT "protect" the public from unscrupulous lenders, it will instead further limit Americans from purchasing / refinancing a home because lenders will be so "scared" of Fed repercussions they will further tighten lending, driving prices lower / new housing sales to sag more because fewer people will posses the "ability to pay" (under Dodd-Frank) and forcing more present homeowners into foreclosure. The Feds should ENCOURAGE home-ownership and lending, not RESTRICT it to the privileged few. In the period between 2000-2007 home-ownership exploded. This was due to some very creative financing programs. I agree 100%, it was TOO creative, but now it has become way to restrictive and as more and more of Dodd-Frank is implemented, we will see a further decline in home-ownership, an increase in foreclosures and a flat housing market. It will result in an UNHEALTHY housing market. What are the Feds thinking? They're not, since it's 4 years too late. Leave well enough alone.