

From: Jill M Svee  
Subject: Reg Z - Truth in Lending - HELCOs

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Comments:

Date: Aug 25, 2009

Proposal: Regulation Z - Truth in Lending - Home-Equity Lines of Credit (HELOC)  
Document ID: R-1367  
Document Version: 1  
Release Date: 07/23/2009  
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Comments:

Re 226.5b(f)(3)(vi)(A), you're clarifying the "significant decline" in the property valuation above and below CLTV of 90%. However, it appears you're considering only the valuation when the HELOC was originated. The CLTV is the home valuation PLUS the mortgage(s). That is was is used to determine the amount of the HELOC. It also appears you're assuming that while the home valuation may decline, the mortgage balance has not declined significantly. In order to protect the consumer more fully, if the valuation decline is considered, the mortgage balance or equity in the home must also be considered. In other words, if the CLTV was 90% at origination, if the lender determines there is "significant decline" in the home valuation, the lender must also consider the mortgage balance. The mortgage could have been paid down enough that the equity in the home is the same or more than it was at origination. Considering ONLY the home valuation is unfair in that the home valuation is only one part of the equation in determining the qualification in getting the HELOC. Your example is of a \$100,000 home with a first mortgage of \$50,000 and credit limit of \$30,000 with equity of \$20,000. You're saying a decline of \$10,000 is "significant" and the lender can suspend the HELOC. What if the value declined to \$90,000 but the mortgage balance is now \$20,000? The original equity was \$20,000, but now it's \$40,000. This more than meets the HELOC requirements and yet you're saying it's OK for the lender to suspend the HELOC. It's not fair. And it must be clarified so all the appropriate numbers are considered. Either use "current equity" or "current CLTV" ... just don't use only "home valuation".