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January 7, 2011

President Barak Obama
The White House
1600 Pennsylvania Ave NW
Washington, DC 20500

Christopher J. Dodd, Chairman
Banking, Housing & Urban Affairs
448 Russell Senate Office Building
Washington, DC 20510

Dr. Ben S. Bernanke, Chairman
Federal Reserve Board
20th St and Constitution Ave NW
Washington, DC 20551

Ref: Regulation Z – 12 CFR 226.5b(f)(3)(vi)(A)

SUBJECT: PROTECT THE AMERICAN HOMEOWNER

Dear Sirs:

President Obama has gotten passed consumer financial protection laws (even though the banks are ready to slap us with a whole new round of fees). However, there's still a large elephant in the room that needs to be taken care of or the American homeowner will continued to be taken advantage of by the banks ... HELOCs.

Please don't let referenced CFR continue without clarifying some items. As it reads now:

> (3) A creditor is prohibited from changing any term except that a creditor may
> > (vi) Prohibit additional extensions of credit or reduce the credit limit applicable to an agreement during any period in which:
> > > (A) The value of the dwelling that secures the plan declines significantly below the dwelling's appraised value for purposes of the plan;

The Federal Reserve Board Commentary provides "that a significant decline where the initial difference between the credit limit and the available equity (based on the property's appraised value at origination) is reduced by fifty percent".

If you leave it as is, you're leaving too much power in the hands of the banks. They've already taken advantage of the American homeowners by arbitrarily and unfairly devaluating our homes. This gives the banks continued power to take away our use of our home equity lines of credit (HELOC) because of unfair guidelines.

The problems with the way both (3)(vi)(A) and the Commentary are written are they're not clear and they're unfair to the homeowner. The formula to determine the credit limit of a HELOC is the current value of the home minus the current mortgage balance times the Combined Loan to Value (CLTV) which equals the available equity. The problem is (3)(vi)(A) states only if the value of the dwelling declines from the initial appraised value that's enough for the bank to freeze or lower the HELOC. However, the value of the dwelling is only one part of the equation needed to determine the available equity which, of course, is needed to determine the credit limit of the HELOC.

If the current home value (lowered by the bank) is considered, then the current mortgage balance must be considered also. To ignore the current mortgage balance is not fair to the homeowner. Admittedly many mortgage balances don't drop significantly over time. However, consider the diligent homeowner who has paid extra each month with his mortgage payment in order to pay off his mortgage quicker. Or the homeowner who has applied a large sum of money to his mortgage and has lowered the balance. The homeowner in both cases has increased his available equity. Even if the value of his home has declined, it's possible the available equity has actually increased to a higher level than when the HELOC was originally taken out. To ignore this possibility is a great disservice and totally unfair to the homeowners.

The Commentary is also unclear. "A significant decline where the initial difference between the credit limit and the available equity (based on the property's appraised value at origination) is reduced by fifty percent". Determining the initial difference between the credit limit and the initial available equity (i.e., the **initial** dwelling valuation and the **initial** mortgage balance) is easy. It's the formula all banks use to determine the HELOC credit limit. But what do you use to figure out the difference? The difference in what? You need to determine the **current** dwelling's value as well as the **current** available equity (which means **current** mortgage balance) in order to determine the difference!

Why would you not require the banks to use the current mortgage balance if they're using the current dwelling valuation? Unless you want the banks to maintain their power over the American homeowner, you must require them to use the current mortgage balance. It's the only fair thing to do.

The HELOC is discretionary monies people use from the equity in their homes to remodel or otherwise purchase goods. Part of the problem with the economy is most HELOCs were frozen and this money is no longer available, even though the formula to determine available equity shows there is enough equity to meet the HELOC contract's requirements (available equity).

Please, please, please. Don't let this opportunity pass to further protect us from the banks.

Please.

Sincerely,

Jill Svee