From: Oak Creek Valley Bank, Mark Blazek

Proposal: 1443 (RIN 7100 AD 90) Higher Risk Mortgages

Subject: Reg. Z - Interagency appraisal requirements for higher-risk mortgages

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Comments:

Ladies and Gentlemen:

As a small town community banker in Southeast, Nebraska, I am writing to express my severe concerns and reservations with the newly proposed Appraisal Requirements (mandating an outside appraisal) being applied to my community bank for what you call a "high priced mortgage loan" or similar type loans. We are a $60,000,000 asset size bank which uses all variable rate loans (some locked for 3-5 years and then floating) on our in-house real estate loans.
While we are able to do some 15 or 30 year fixed rate loans which we sell on the secondary market, many of our loans to customers in rural Nebraska may not qualify due to size; income; credit score or other reasons, or, are simply too expensive to put on the secondary market, leaving us holding that loan in-house with a variable rate.

Currently, we seldom, if ever, require an outside appraisal in those instances. We are 20+ miles from Lincoln, NE and 50+ miles from Omaha, NE and see very little value in forcing our customer to pay $450+ (that is the going rate) to get an appraisal from someone who knows very little about our town and/or community or its housing. We have an extremely good grasp (better than any appraiser would be my guess) on our local market and on our customers, resulting in our ability to work with our customers to achieve a result that is in their best interest as well as that of the bank. In the 18 years I have been at this bank, we have never been required to forclose on a home and recall no instance where this regulation would have been to one of our customers benefit.

If this requirement had been in place for the past 10 years, we would have been forced to require over 100 appraisals at a huge cost to our customers. My understanding in discussing this with your Legal Counsel is that my loan to a real customer this month increasing an $8,000 loan to a $15,000 loan to cover credit card debt, on a house assessed by the County for tax purposes at $52,000 (LTV 28.85%) would have required such an appraisal! Does that make sense? It did not to me and it did not to the customer! You should not intervene in that transaction to force an appraisal against the will of the customer and bank.

If you insist on plowing ahead with this bad regulation, at least consider exempting many types of situations: These could include:

1. Where both the Bank and the Borrower want to waive the requirement;

2. For Bank's originating, servicing and holding the loan in-house;

3. For Bank's originating under 100 such loans per year;

4. Where it is a refinance situation and not a purchase;

5. Where the Loan To Value is under a certain percentage based on assessed value - i.e. under 70%;

6. Where there was an arm's length transaction within 3 years on the same home (that value can be used if no significant value changes);

7. Where the Lender and Borrower had a prior loan relationship on the same residence;

8. Bank's under a certain size ($250,000) and/or located in towns under 50,000) or something similar.

Alternatively, you should reconsider the formula used to determine if a loan is a "high priced mortgage loan". Our variable rate loans are not tied to any external index. Therefore, we can control the rate at the bank level. Over the past 20 years, this has meant that our rate looked high compared to other variable rate loans (tied to LIBOR or PRIME) when rates are very low (similar to now and after 9-11-01), but they look very reasonable and/or low when rates are high. Unfortunately, with prime at 3.25% and all indices down now, all of our loans we are currently originating are now considered to be high priced mortgage loans. This means we now have to escrow taxes and insurance for those loans (we do not want to and most of our customers do not want us to in most cases); and now we are looking at having to waste our time and our customers money to get appraisals.

At a time when we need to do all we can to get the housing market going again, it makes no sense to continue to impose obstacles to doing that to community banks that know their market and their customers very well.

Please reconsider this regulation or create exemptions which we could use to avoid it when it is not in the customers and the banks interest.

Thank you for your consideration.

Mark Blazeknt
Oak Creek Valley Bank