

**From:** "Kathy Gregg" <KGregg@fsbmsla.com> on 01/11/2008 01:15:04 PM

**Subject:** Regulation Z

Regarding the proposed changes to Regulation Z:

The agencies need to realize that the mortgage situation has not been created by financial institutions and that by adding more provisions to Regulation Z, there is not going to be an improvement in the existing crisis. The mortgage companies/brokers who created this issue aren't held accountable by any regulatory agency to comply with the existing provisions so why burden an already over burdened industry with meaningless regulations. Set up a system to hold mortgage companies/brokers accountable and the problem may correct itself.

Decreasing the rate spread or forcing banks to escrow reserves is not going to be of any benefit to a customer. What it will do is inhibit financial institutions in serving the needs of their communities. Forcing the financial institutions to keep track of three different rate spread calculations sets up a recipe for failure to comply. Combine existing section 32 guidelines and set one rate spread to trigger additional disclosure or documentation of credit worthiness.

I would like to address the home equity line of credit and home equity closed end loan products. The IRS decided that the only interest deductible for tax purposes would be interest on a home. That was a direct hit at existing consumer loan products. Financial institutions scrambled to come up with some type of program that would continue to benefit the customer. The home equity loan became the answer. The customer could continue to deduct interest on auto, home improvement, education and other personal purpose loans. The industry standard was not to ever go over an 80% loan to appraisal value for all outstanding liens. Enter the Ditects, etc. with 125% lending. Banks did not follow; they knew these were not of benefit to their customers. Gambling on continually rising home prices as collateral is not a practice of banks.

Please encourage Congress to look for another solution to the crisis. Adding more regulations and disclosures for banks is not going to benefit anyone.

Thank you.  
Kathy Gregg, Branch Manager  
First Security Bank of Missoula