

From: Bob Howley
Subject: Reg Z - Truth in Lending - HELOCs

Comments:

Date: Sep 29, 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
Name: Bob Howley
Affiliation:
Category of Affiliation:
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

The efforts of the government are needed to prevent another mortgage meltdown but some of the proposals are absurd which just goes to show the ignorance of the peoples" elected. First and foremost, let me say that regulations are needed in the mortgage industry but punishing the loan officers, brokers, appraisal companies and ultimately the consumer is reprehensible considering Wall Street, leading financial institutions and the government itself was solely responsible for any and all ill effects of the meltdown. The middlemen ie brokers, bank tellers, wholesale retailers were only selling the products that wall street created and the government allowed to keep the country from collapsing years ago. Now that the bubble has burst - its only fair to point the finger at those working the products. Preposterous! We didn't create negative amortization loans, ARMS with excessive interest rate caps and ceilings, subprime banks that originated loans with guidelines that enabled a part time w-2 janitor to state income of \$150,000 to afford a \$500,000 home all with a credit score under 600. These were all creations of big money to cash in on profit while stabilizing a fake economy. What a new age bubble! This is all going on while real estate appreciates at 20% per year? This is all making great fiscal sense for a stable country! The working man"s wages surely didn't double in 4-5 years like some of the housing markets in the country. What was expected when people were allowed to tap into their homes equity, a superficial value with these guidelines and dangerous products? The following quote makes me laugh from Federal Reserve Chairman Ben S. Bernanke. "It is often said that a home is a family"s most important asset, and it is the Federal Reserve"s responsibility to see that borrowers receive the information they need to protect that asset." Let me first state that a home is not an asset. Does your house pay you dividends? No, a home is a liability. The only way your home is an asset is when you own the property outright, a profit bearing investment or a home with decent equity used to establish something and even

then you pay back a loan threefold. But how many people are in that boat? Most people I know gladly pay rent to a bank, this also known as a mortgage. But when people are told that their home is an asset or a financial tool and then learn they can cash out of it excessively as an ATM machine then I can only speculate that only good things can come. So now we are at a point where the bleeding has to stop and government action is needed. "With this in mind, the disclosures would be revised to highlight potentially risky features such as adjustable rates, prepayment penalties, and negative amortization." After all, we citizens need to be protected. The actions proposed are years late and are flat out wrong like some of the items proposed. For example, we need disclosures about negative amortizations loans - I agree but the problem lies that these products don't even exist anymore. It sure makes me feel better that the government is doing something about them though. I feel pretty protected now like I do from chicken pox. Where was the regulation 5 years ago? The appraisal process has also been revamped. I think it's great that borrowers are forced without option to use an appraisal management company that charges \$450+ for an appraisal when typically appraisals only cost \$300-\$350. So sure, why not - create a new type of business for a useless service company, who pockets 60%-70% of the money collected while paying Mickey Mouse Appraisal Company and Friends LLC \$100 for lackluster and spotty work in a real timely manner. All the while, delaying the mortgage process, shutting down legitimate appraisal companies and expiring rate locks, which translates into more fees for the borrower. Another proposal to end paying brokers and loan officers based on the interest rate is completely astounding. Last time I checked the United States was a half democracy with a capitalist free market so why would interest rate competition be eliminated? The interest rates now are still historically low and they create a fair market for all to compete. The days of making large amounts of money based off an interest rate are gone - these loans don't exist anymore - ie negative amortization loans and subprime loans. But Communism sounds great in the mortgage industry. Will I be making my loan payment to Joseph Stalin Mortgage company? To further this point, if the government is so interested in protecting consumers from loan officers - why don't they start with Wall Street, Insurance companies and the big banks instead? Why hasn't the Federal Reserve and government who bailed out the insurance companies, funded and bailed out the largest of banks first prosecute the baddies who already cashed in from this mortgage debacle and then eliminate their ability to make a profit from interest rates?

If one is going to take profit away from anyone then why not the banks? Not many people know this but banks are lent money at 0.0 - 0.25 % (free or almost free) but allowed to sell lent money/paper for 4.5%, 5%, 6% etc +++. Why isn't this large margin of profit on billions of dollars taken away? Typically, banks only made a 2.0 - 3.0% yield from the money they borrowed. So it's pretty interesting that the proposal would eliminate profit (which doesn't even come remotely close to the banks margin) for brokers and loan officers but not for the banks. But I guess we have to accept this because the government obviously has a stake in the banks and their books. After all, they control and run Fannie Mae, FHA, Freddie Mac and allow them to get out of the hole they dug themselves with 5.0% or better yields. Rates could be at 3.0% right now and banks would still be making 2.75% - 3.0% yield so if the Federal Reserve is proposing to eliminate the working middle class from making a profit for their services then I propose that the Federal Reserve eliminate the 1000% compounded profit that the banks make. I would also propose that my 15 cent t-shirt made in Taiwan not cost me \$40 at Macy's.