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Subject: Reg. Z

Comments:

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Comments:

Community Banks often originate residential mortgage loans with Balloon terms of anywhere between 1 and 7 years. These loans generally require Loan to Value not to exceed 80% and are originated to keep in portfolio. The following section from the proposal has the potential to limit credit availability by requiring Balloon terms to be for 5 years or longer: "The Act permits a creditor to underwrite a balloon loan that is not higher-priced in accordance with regulations prescribed by the Board. The proposal requires creditors to underwrite a balloon loan using the maximum payment scheduled during the first five years after consummation. This approach would not capture the balloon payment for a balloon loan with a term of five years or more. The Board believes five years is the appropriate time horizon in order to ensure consumers have a reasonable ability to repay the loan, and to preserve credit choice and availability. Moreover, the five year time horizon is consistent with other provisions in the Act and the proposal, which require underwriting based on the first five years after consummation (for qualified mortgages and the refinancing of a non-standard mortgage) or which require a minimum term of five years (for balloon-payment qualified mortgages made by certain creditors)." I would like to see additional exceptions made for Balloon loans of less than 5 years, that are originated to be held in the bank's portfolio, where the loan to value is less than or equal to 80%.