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Subject: Reg. Z

Comments:

Date: Apr 26, 2011

Proposal: Regulation Z; Truth in Lending
Document ID: R-1417
Document Version: 1
Release Date: 04/19/2011
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Comments:
The proposed guidelines are overreaching and will restrict credit available for home loans. Community banks of all sizes and locales use balloon loans to control interest rate risk. These balloon loans are originated to keep in the bank's loan portfolio. Community banks choose to originate balloon loans over ARM loans due to the compliance burdens associated with originating adjustable rate mortgages. The proposed changes to Regulation Z regarding banks being open to lawsuits if consumers do not think the bank correctly calculated their reasonable ability to repay will also restrict lending by banks. Without specific safeharbors as to DTI ratios every loan would be open to interpretation as to whether the consumer could reasonably be expected to be able to repay the mortgage at loan origination. One person may feel 30% DTI is acceptable another may feel 50% is acceptable, to be second guessed years down the road and open to legal liability can do nothing but chill mortgage lending.
Community Bank's earn a substantial portion of their income from balloon loans originated to be kept in portfolio. To restrict the ability of Community Bank's to continue to service their customers by restricting originations of the type of balloon loans offered will adversely impact many institutions and the customers they serve. If the goal of these suggested changes to Regulation Z are to restrict credit, limit consumer choice and constrict bank earnings you are right on target. If that is not the goal then this proposal needs to be scrapped.