

Comment call for Docket No. R-1406 and RIN No. 7100-AD 65

My comments are specifically regarding the escrow requirement proposed for higher priced mortgages.

As a rural lender I appreciate the attempt to carve out a waiver for “rural” or “underserved” however this seems unnecessary. Even in rural communities borrowers usually have more than 2 lenders available to them, whether it is face to face, by phone, or internet based. There are options available.

There is also a proposed exemption for lenders that originate 100 or less loans per year. This too seems unnecessary. This fails to account for the vast differences in the size of potential lenders. A large financial institution may originate well over 100 loans overall yet only originate a very few high priced mortgages in a rural area. So the rural consumer would be burdened by this escrow requirement.

Here is a real life example that I see frequently in my “rural” area:

*Wilbur and Veronica have been smart with money their entire lives; several years ago they paid cash for a weekend get away in rural Northern Michigan. It happens to be a single wide mobile home on 20 acres. They would like to get some cash out to build a barn and add an enclosed porch to the mobile. The land and mobile are valued at \$50k; they want to borrow \$30k for the project. Because the home is non-conforming they would see their interest rate increased to the point of becoming a “high-priced” loan.*

*They have managed for years to pay their taxes without any interference from a lender and no need for government help. Their lender of choice does not offer any escrow accounts due to the administrative burden involved with escrow calculations and existing federal regulation regarding maximum amounts that can be held in escrow. End result is the consumer that has done all the right things will not even be offered a mortgage due to the high priced mortgage – escrow requirement; notwithstanding the fact that they only want to borrow 60% of the value.*

Best practice solution is to **require escrow on high priced mortgages if they exceed 70% LTV**; regardless of number of mortgages originated or a very nebulous “rural” definition. This would be a great balance of helping the consumer but not burdening the lender or our regulators with another hard to track requirement. Best of all; the borrower gets to fix up their home and keep paying their own taxes just as they have the past decade.