



*Advancing Economic Security  
and Community Prosperity*

**Board of Directors**

**Chair**

**Maria Choca Urban**  
Center for Neighborhood  
Technology

**Vice Chair**

**Christine Robinson**  
Stillwaters Consultation

**Secretary**

**Megan O'Neil**  
Independent Asset-Building  
Consultant

**Treasurer**

**Thomas Fitzgibbon**  
Talmer Bank and Trust

**Members**

**Angel Beltran**  
Talmer Bank and Trust

**Cheryl Devall**  
Southern California Public  
Radio

**Byna Elliott**  
Fifth Third Bank

**Edward Jacob**  
Neighborhood Housing Services  
of Chicago

**Gordon Mayer**  
National People's Action

**Michael Mitchell**  
Mitchell Development  
Consultants, Inc.

**Ofelia Navarro**  
Spanish Coalition for Housing

**Dory Rand**  
Woodstock Institute

**Sandra P. Scheinfeld, Ph.D.**  
Freelance Documenter

**Michael Seng**  
The John Marshall Law School

**Founder**

**Sylvia R. Scheinfeld**  
1903-1990

July 22, 2011

Ms. Jennifer J. Johnson,  
Secretary, Board of Governors of the  
Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

**Re: 12 CFR Part 226; Regulation Z; Docket No. R-1417; RIN 7100-AD75; Truth in Lending**

Dear Ms. Johnson:

Woodstock Institute strongly supports the establishment of rules pursuant to the Dodd Frank Act that ensure that lenders determine a consumer's ability to repay the loan before making any consumer credit transaction secured by a dwelling, except an open-end credit plan, timeshare plan, reverse mortgage, or temporary loan.

Woodstock Institute is a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform. We work locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity.

The Board's proposed rule seeks comments on four options for complying with the ability to repay provisions of the Act, but rulemaking authority for these provisions transferred to the Consumer Financial Protection Bureau on July 21, 2011. In anticipation that the CFPB may revise the proposed rules before making them final, we will keep these comments brief.

Woodstock Institute agrees that underwriting the payment for an adjustable rate mortgage must be based on the fully indexed rate and supports the general ability to repay underwriting criteria, with a few caveats:

- Lenders should be required to comply with a strong standard of good faith and fair dealing.
- All consumers should receive full disclosure of all factors considered by the lender in deciding whether to make the loan and on what terms.
- Lenders should be able to consider credit history, but lenders should not restrict loans solely based on a specific credit score number.
- Lenders should be able to consider debt-to-income and residual income ratios, but lenders should not be restricted to using to a prescribed DTI or RI ratio.

Ms. Jennifer J. Johnson,  
Federal Reserve System  
July 22, 2011  
Page 2

Regarding the proposed rule for a Qualified Mortgage or QM, Woodstock Institute believes that alternative two is stronger because it includes an obligation to verify, not just consider, the additional criteria. In addition, the underwriting should be based on the maximum interest rate for the entire loan, not just the first five years.

With regard to balloon-payment QMs, Woodstock Institute appreciates that rural and underserved areas often have limited options because loans are held in portfolio, but remains concerned about risks to lenders and consumers of balloon-payment mortgages. Woodstock encourages prudential regulators to consider proving better incentives under the Community Reinvestment Act to expand the availability of 30-year fixed-rate mortgage products in these areas.

The proposed rule for refinancing a non-standard mortgage should be modified as follows:

- The lender should also be required to both consider and verify the consumer's income and assets; and,
- The lender should be required to underwrite the refinanced standard mortgage based on the maximum interest rate that can apply during the life of the loan, not just the first five years.

Woodstock Institute supports the other protections that limit prepayment penalties, lengthen the time creditors must retain records, and prohibit evasion of the rules.

Thank you for the opportunity to submit these comments.

Respectfully,



Dory Rand  
President

DR/bab