

From: Omni Community Credit Union, Debi Southworth
Proposal: 1417 (RIN 7100-AD75) Reg Z - Mortgage Repayment Standards
Subject: Reg. Z

Comments:

To Whom It May Concern,

The following are our comments as it pertains to Determining a Consumer's Ability to Repay Mortgage Loans.

Requirements for Certain Closed-End Home Mortgages: We believe that Total Loan Amount should be defined as principal loan amount, minus charges that are points and fees and are financed by the creditor. This will make it easier to figure out the 3% rule. In addition, as it pertains to Credit Insurance and Debt Cancellation or Suspension Coverage, we believe that none of these fees should be included in the points and fees. These are generally voluntary add on that are not required by the Lender. However, if the Lender is requiring one of these products as a condition for approval or closing, this should be added into the points and fees.

Minimum Standards for Transactions Secured by a Dwelling: For step rate mortgages, we believe that these should be stressed tested at the highest interest rate during the term of the loan. If a mortgage rate will get as high as 10%, the borrower's repayment ability should be tested at that amount.

Option 1: Repayment Ability: Employment status for DoD employees should be verified via the DoD website. This is due to the fact that the Leave and Earnings Statement may show income, this may not be accurate depending which part of the DoD they are associated with. A verification of employment should still be completed to ensure that the borrower is still employed with the DoD.

For self-employed consumers something year to date should be required, however, it should not be the sole determinate for ability to repay. It should be used in conjunction with Credit History to verify that the consumer has been able to make payments in the past.

In regards to Balloon Payments, we feel the following points are important.

- Jumbo loans should not be separated out and given a special threshold.
- Non-principal dwellings should receive a special, separate coverage.
- It should not fall on the creditor to factor in if the consumer will be able to pay the balloon amount when it comes due. Typically consumers choose a balloon product due to either a lower interest rate or because they feel they will sell the home prior to that.

Payment Calculation for Simultaneous Loans: We feel that a HELOC must be assumed to be fully drawn and the consumer must be able to prove they can handle the payments with all other debts. Otherwise, if the consumer fully borrows on the HELOC during the term of the mortgage, they may not be able to handle all of their payments.

We also feel that it is important for there to be a safe harbor for creditors who rely on automated underwriting systems.

Definitions - Non-Standard Mortgage should not include balloon mortgages.

Alternatives

- We believe the easiest is to have a simple definition of 3%. The alternatives become too complex, especially for smaller creditors.

Exclusions from Points and Fees for Qualified Mortgages should exclude from points and fees for qualified mortgages charged to meet risk based price adjustments of secondary market purchases and points charged to offset loan-level risk on mortgages held in the portfolio.

Regards,

Debi Southworth
OMNI Community Credit Union