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Subject: Reg. Z

Comments:

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Part of this proposed regulation would severely restrict homeowners from selling their own property with seller financing. While it is customary to enact regulations to prevent unconscionable contracts and to limit usury, this rule if enacted "as is" will have many unintended and dire consequences. (1) It is a seller's right to sell their property on their own terms, subject to normal state regulation. This rule effectively strips owners of their right to dispose of their property as they deem fit. (2) This rule will increase the buyer's and seller's costs further removing liquidity from a troubled real estate market. What's not addressed by the rule is that the mandatory use of third-party lenders increases the costs of each transaction by thousands of dollars. These costs do no benefit the buyer or seller and therefore discourage real estate transactions. (3) This rule imposes greater burdens on the taxpayer. With seller financing, the seller, at their own choice, bears 100% of
the risk. But with as we have seen in the mortgage crisis, when loans go into default, ultimately it's the taxpayers who share the risk. With the tax payer already exposed to trillions of dollars in off-the-books risk, there is no need to force the tax payers to bear more risks. (4) Seller financing did not contribute to the financial crisis. In the financial crisis of 2008-2009, it was the third party financiers and government agencies that wrote high-risk paper, not the sellers who took back notes. Obviously, a seller who offers seller financing has a vested interest in writing sound loans. (5) This regulation is a waste of the Federal Reserve's resources. The worst credit risk is the U.S. Government which refuses to enact fiscal discipline and must borrow money to pay the interest on its debts. Rather than attempting to fix a problem that does not exist with seller held notes, the Federal Reserve's time is better spent addressing the problems within our own government.