From: Mindy Henderson

Proposal: 1417 (RIN 7100-AD75) Reg Z - Mortgage Repayment Standards

Subject: Reg. Z

Comments:

Date: Jul 18, 2011

Proposal: Regulation Z; Truth in Lending
Document ID: R-1417
Document Version: 1
Release Date: 04/19/2011
Name: Mindy Henderson

Comments:

Frank-Dodd was written so broadly that private parties offering seller-financing (other than on their primary residence) have been deemed LENDERS. As such, they are now subject to a whole level of regulation to which they were not previously subjected. If any additional regulations are put in place, seller financing should be exempted from complying with the requirements. 1. I don't feel it is the government's role to tell an individual to whom they can sell a personal asset that they own. If two private persons want to buy/sell something that is legal to sell, the government shouldn't be able to set additional stipulations. What if someone wants to sell one of their rental property to their grandmother? Grandmother has a ton of assets, but no income. Does granny have to qualify? 2. There are a lot of small builders who have spec homes that they can't sell in today's market unless they offer terms using seller financing. 3. More and more good borrowers are being forced into the owner-financed realm because FHA and conventional underwriting has become a nightmare in both time, cost, and documentation. The appraisal process has become an abomination. Appraisal Managment Companies are keeping 1/2 of the appraisal fee. That means that appraisers are supposed to do the work they have been doing for 1/2 of the fee they used to get. All of the good, experience appraisers have left the market. All that are left are newbie appraisers who have never stepped foot in a neighborhood before they appraise a home in it. 4. No income verification loans have been around for decades with good performance. Wall Street starting writing stupid underwriting guidelines that took away the checks and balances that we used to use in underwriting no income verication loans. For example, assets. I have turned down loans right now for borrowers who could have paid cash for their properties. Newly retired borrowers who have recently restructed their retirement portfolios and do not have a history of receiving dividend or interest income (they moved out of stock and into bonds and dividend paying stock) cannot qualify for a loan right now. Also, borrowers who put down substantial down payments (over 30%)are good examples of someone that deserves more lienency when it comes to income underwriting. I have no problem with the government making rules for loans that it has a stake in (like FNMA, FHLMC, FHA). When these loans go bad, it costs the government money. However, to start devising UNDERWRITING GUIDELINES for the industry is a huge stretch of government authority. Is the government also going to write the rules for underwriting life insurance, health insurance, property and casualty insurance? If the government is writing guidelines for the mortgage industry, how about writing guidelines for the car financing industry and the credit card industries? Finally, the Federal Reserve would be opening a huge can of worms by trying to define income and affordability. FNMA/FREDDIEMAC/FHA all have different rules on what is income, what is debt and what is affordability. When private parties were in the market, they had different definitions of income, debts and affordability. Can you count the rental income of a boarder as income? How long do you have to be on a second job before the income counts? Does income from a seasonal job count? What is an affordable payment (28% of income? 33% of income?) Ratios don't make sense at either end of the income spectrum. A family of 4 making $1500 per month can qualify for a $500/month payment (meaning they have $1,000 left to buy grociers, pay their utilities, buy gas for the car, buy car insurance, etc.) While someone making $20,000 per month would qualify for a $6,000 mortgage with a $14,000 per month residual to live off. If that person wants to spend $7,000 on a mortgage, I'm sure he can squeak by on the other $13,000 he has left over. LENDERS ARE CONSTANTLY REWRITING GUIDELINES TO ANSWER QUESTIONS LIKE THESE. They are also tracking performance of loans to determine if guideline adjustment is warranted. I doubt that the Federal Reserve has the time or the inclination to continutally monitor and update guidelines as the market changes.