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Comments:

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Comments:

I make this submission as a small scale property investor who is considering seller financing, and as an employee of a non-profit lending agency. I don't have a copy of the actual legislative wording proposed and I have real trouble understanding what the new law is going to require. If all the legislation is saying is that a standard checklist will apply to qualify mortgage borrowers, well and good. If on the other hand a specified maximum level of risk is to be imposed on all loans, this violates the principles upon which our economic system is founded. Why can't a seller or a lender choose to make a loan to a high risk borrower? So long as both parties are aware of the risks they are taking and enter into a contract accordingly, it is their concern and no one else's. And why can't loans be interest only, with balloon payments? Why does this have to be standardized? If there is a concern for third parties acquiring an interest in the security, who may not be aware of the associated risk, then that issue can be addressed simply and directly by a disclosure requirement. And wasn't this one of the primary causes of the sub-prime meltdown? People buying and reselling "derivatives" who had no clue of their true value or even their originating terms. As far as I can tell this is a clumsy, messy, unnecessarily complicated piece of wording which does not directly address the root problem, and holds out no real hope of helping anyone. You know it's bad when it creates a new animal, the "qualified mortgage", a mutant which will bear no resemblance to the original concept. For the banks and the big institutions it is just another nuisance law. If they don't like it their corporate lawyers will find ways around it, albeit at some expense. They will continue to dictate terms to borrowers due to their unequal bargaining power. And they will have less competition from small scale lenders and seller financiers. Most seller financiers won't know about the law and will probably end up breaking it. And most likely the regulators will squander their limited enforcement resources and go after these people rather than take on the real crooks in this industry. Many will risk losing their life savings and suffer humiliation in the courts. For all the wrong reasons. Of those sellers who do become aware of the law most will simply stop offering owner financing as an option. Fewer homes will be sold. Owners will rent instead. Fewer people will have the option of buying their own home and the big financial institutions will be able to increase their share of the mortgage market. Neither will most borrowers know about the law or understand it. And few will have the luxury of being able to hire a lawyer to test it. On the other hand a lot of dishonest people will learn about the law and use it to

their advantage. In summary, this appears to be a particularly nasty piece of work. It does not properly address the underlying problem. It violates the principles of risk, contract and freedom of choice, upon which our economic system is founded. And for no demonstrable benefit. It is incomprehensible and will be of no benefit to the people it is supposed to help. Indeed most of the little people affected will be hurt by it. It benefits the big financial institutions at the expense of small scale lenders, and it has potential catastrophic consequences for the housing market and the economy.