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

Subject: Reg. Z

Comments:

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Comments:

Re: Comments regarding Ability to Repay Proposed Rule, 76 FR 27390 - 27506 It is respectfully submitted that the regulatory climate in the mortgage area is one of drastic overreaction rather than common sense. Many of the regulations by the multitude of State and Federal regulators have had the result of banning practices which have long ago been abandoned by all mortgage lenders in light of the losses suffered. With respect to the "ability to repay" issue, we believe that the proposed regulations will have little or no beneficial impact but will prevent many sensible mortgage loans from being made and, in turn, will further harm the real estate market and delay its possible recovery as well as the recovery of the general economy as well. The issue of "ability to repay" is an issue of risk but it is both impossible to remove all risks from loan transactions and, indeed, unwise to require lenders to attempt to do so. Most lenders have learned their lesson on their own and are unlikely to make the same mistakes again, at least for a long time. We believe it is fair to say that any lender who makes a loan in the current environment which would not pass the proposed "ability to repay" test would likely have other compelling reasons to make the loan. Most importantly, this is a decision best left to lenders which, as previously stated, are unlikely to repeat the mistakes of the recent past. After all, bubbles (such as the mortgage/housing bubble) do not tend to repeat themselves, at least not for more than a generation. To overregulate after the bursting of the mortgage/housing bubble will only stifle a resurgence of those markets and will not protect against any risks which are likely to present themselves again soon. In addition to the above cautionary notes, it should be pointed out that many of the recent new regulations have had little impact on curbing abuses which had mostly ceased before the regulations took effect. On the other hand many of these
regulations have had significant, unintended adverse impacts on the public they were designed to protect. For instance, the Home Valuation Code of Conduct and its successor regulations have driven down appraisal quality and service, reduced lender choice and have driven up consumer costs dramatically. The Mortgage Disclosure Improvement Act has driven up costs to lenders which are passed on to consumers, whereas most honest industry participants do not see any consumer benefit to these rules at all. The Federal Reserve Board's Originator Compensation rules have driven honest originators out of the business and have caused many small businesses to shrink or close, all based on

an unsubstantiated "pet peeve" of Federal Reserve Chairman Ben Bernanke (his groundless declaration that yield spread premiums are unfair and misleading). Consequently, consumers have fewer choices in where they can apply for home loans. Respectfully submitted.