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Subject: Reg. Z

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Comments:

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Commentary - R-1417 Proposal for Regulation Z - Truth in Lending--Minimum Mortgage Underwriting Standards Part 1 Let's see if I have this right: those who can, do; those who can't, teach; and, those who can't teach, go to work for the government!!! In an era when the American education system has international rankings of 14th in reading, 17th in science and 25th in math, are we really expecting academia representatives to regulate our financial system out of the current financial calamity? In my experience, academia success is based on teaching theoretical assumptions, psychic pre-dilections and political philosophy. Further, in my view, business success is based on overcoming failed assumptions, following entrepreneurial predilections and active political manipulation. Regulation is supposed to be composed from a collaboration of academic guidance, industrial experience and regulator coordination blended into enlightened political oversight. Unfortunately, in my opinion, two very old dinosaurs concocted the "Dodd-Frank" Act as an assault on the business community with no apparent foresight into the repercussions that have and will continue to endanger the American consumer as a result. The disaster to come was then compounded by a Democratic led legislature that was intent on political manipulation without any regard and very little actual knowledge of the content and far reaching financial detriment of their CFPB legislation. There is no doubt the first financial crisis of the 21st century requires a major overhaul of the entire financial function of our country. Right now, the first action plan necessity MUST BE the repeal of the Dodd-Frank Wall Street and Consumer Protection Act! The overall content of this horrendous legislation coupled with the proposed poorly constructed interpretations of the currently assigned leadership will destroy any realistic hope for homeownership recovery if the passed Dodd-Frank Act, particularly the Consumer Financial Protection Bureau section, is not voided. Over a lot of years (yes, I am older than the two dinosaurs who created this monster), I have read a lot of proposed and final FRB rules and regulations. Looking back on my

43 year credit management career, I cannot remember ever being exposed to a Federal Reserve document that is so poorly written, utterly confusing and shockingly alarming. Obviously, I cannot believe that this proposed rule was ever reviewed by the Federal Reserve staff, let alone written by any actual Federal Reserve rule composer. My first recommendation should be to request that you toss this gibberish into the trash, send the entire CFPB staff to regulatory compliance school and let the Federal Reserve regulatory experts create an effective, meaningful and useful consumer homeownership lending guide. Yesterday, my floor lamp burned out. It has provided faithful service for over 27 years, but age, new floor lamp technology and lack of spare parts required that it be thrown away. The replacement came with many warning labels written in English, Spanish and French. It also had a confusing instruction manual written in China where the lamp was made. The similarity of my loss and this commentary is first that it appears that many parts of this proposal were also written in China. Next, it is attempting to replace quality regulation that has proven its worth over many years with a cheap foreign version, and finally, it reminded me that the replacement regulations should also carry the following warning (English only): The Consumer Financial Protection Bureau legislation may be hazardous to any future American homeownership opportunities. The last sentence on page 48 is a prime example of "poorly written", "utterly confusing" and probably written in China (and this is typed exactly as it is presented): "The purposes of TILA include assur[ing] that consumers are offered and receive residential mortgage loan on terms that reasonably reflect their ability to repay the loans." The new Dodd-Frank-CFPB Act actually states that this is the proposed purpose of Section 129B and Section 129C, not the purpose of TILA. According to Section 101 of the Original Truth in Lending Act, "it is the purpose of TILA to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit, and to protect the consumer against inaccurate and unfair credit billing and credit card practices". Regulation Z, Section 226.1 states "The stated purpose of this regulation is to promote the informed use of consumer credit by requiring disclosures about its terms and cost." It further states that "the regulation does not govern charges for consumer credit." In view of the disparity in the original purpose of the Truth in Lending Act of 1968 versus the 2010 addition of now demanding to regulate procedures and loan charges, it is recommended that a new Regulation ZZ be issued as Section 252 of the Truth in Lending Act to implement the proposed TILA Section 129C (Dodd-Frank-CFPB Sections 1411, 1412 and 1413). A new label will also make it easier to rescind the new legislation when it is reversed by a better informed Congress. Over many years, I have written bank compliance policies for several banks. I have attended many bank policy seminars and held many discussions with OCC, FDIC and State Examiners from Oklahoma and Missouri. One common theme that was unanimous with all is to NEVER mix policy with procedure. Policies are intended to be stable and tweaked for changed or up-dated regulations and internal administrative recommendations. Procedures describe the methodologies for mission objectives and are changed whenever education, experience and up-graded function technology require alteration. I am offering two examples of why the Dodd-Frank-CFPB Act is hazardous to low-income homeownership opportunities. DFA-CFPB and the Board are planning to limit (in certain circumstances) points and fees on loans to 3% of the loan amount and to limit the interest rates on loans. 3% of a \$100,000.00 loan is \$3,000.00, a sum that is adequate to pay loan costs and a small profit for the lender. Loan costs for a \$50,000.00 loan are almost the same as a \$100,000.00 loan but the DFA-CFPB 3% limit yields only \$1,500.00, barely enough to cover the required fees for booking the loan. Now the loan is booked and must be serviced. The

servicing costs of a \$50,000.00 loan are similar to the costs for a \$100,000.00 loan. Therefore, two \$50,000.00 loans cost twice as much as a \$100,000.00 loan, but the income of the two DFA-CFPB \$50,000.00 loans will be the same as the one larger loan. Low and low-middle income homebuyers cannot afford a \$100,000.00 loan but how many lenders are going to be enthused about making and servicing the smaller loans? Lenders do not need new regulations; they do need firm and consistent regulation. FRB Regulation B (Equal Credit Opportunity Act) mandates equal opportunity for terms and rates. Regulation Z decrees mandatory rules for cost disclosure. DFA-CFPB unnecessarily and irresponsibly interferes with the original objectives of these proven regulations. Lackadaisical attitudes of Congress, the Federal Reserve Board, Federal Trade Commission and the Banking Regulators allowed this economic crisis and if there is to be a successful resolution, it MUST come from PROPER regulatory management and NOT from putting needless new shackles on the lenders who are essential for returning the economy back to where it should be. Regarding the Dodd-Frank-CFPB proposed rules: Guys, it ain't gonna happen! It's too complicated, it's too busy, it's too restrictive and it's too detailed. It is like a massive Computer Software Program; amongst other instructions you have linked a positive IF you do this, THEN you can do that, with a LOOP to a negative IF you don't do that, THEN you do go to jail. Loan officers are not that intelligent. Lending is just like sex, anyone can do it! It's just that some of us do it better than most of you. History has never really recorded who came first, the prostitute or the lender! Nevertheless, someone at the over-budgeted CFPB has diddled together 474 pages of prattle to create what should be a two or three page procedural document, and you have finalized those rules with a serious penalty threat if your regulations are violated. Do you really think us dumb-ass lenders will take a risk of going to prison for life for accidentally transposing the figures on a W2 form????? These proposals are nothing more than irresponsible political intervention and incompetent legislative posturing at the expense of any realistic restructured national homeownership lending system!!!! Question: if CFPB has no authority over small banks, does that mean that Community Banks are exempt from any of these proposals? Part II Loan Risk vs. Regulatory Risk - Suggested Plan of Action