

From: South Atlantic Bank, Dick Burch
Subject: Reg. Z

Comments:

We continue to receive proposed rulemakings that contain no common sense out here in the "REAL WORLD," that the community banks operate. Why is there always a limitation on who can get what type of terms on a primary residence loan? I thought fair lending and equal credit were written to allow equal terms and products for all! This will only limit more individuals from obtaining a loan.

Hedging against interest rate risk for loans held in portfolios is obviously a goal for any financial institution regardless if they are in a rural area or in a "underserved area". I do not understand the logic behind only allowing them in the two areas mentioned. For rural areas, seasonality of cash flow (crops) would not typically allow somebody to make the large balloon payment at maturity on a mortgage loan secured by a primary residence anyway..assuming they are referring to agricultural areas. There are areas that are not agricultural that are considered rural areas. Somebody may live in one of these areas and work outside of the agricultural sector. As far as underserved areas are concerned, this may further promote lending to borrowers that are not familiar with or disciplined to handle balloon payments. If they are going to allow balloon loans to be made, they should be allowed across the board with no area restrictions with the intent to provide financing options for the borrower while allowing the banks to hedge against interest rate risk.

In addition, I would also like to comment that the balloon option should be available on a refinance, in instances when an existing portfolio loan or construction loan cannot be refinanced into the secondary market based on secondary market underwriting criteria at the time the balloon loan is granted.

Thank you.

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