

Proposal: 1669(AF53) Regulatory Capital: Treatment of Land Development Loans Definition
High Volatility Commer

Description:

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From: Charity Crouse

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Proposal: Treatment of Land Development Loans for the Definition of High Volatility
Commercial Real Estate Exposure [R-1669]

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Your comment: Charity Colleen Crouse Dallas, TX Comment to Federal Reserve regarding "Treatment of Land Development Loans for the Definition of High Volatility Commercial Real Estate Exposure" Docket ID OCC-2018-0026 R-1669 July 28, 2019 Prior to the onset of the banking bailout, people in at least Chicago had plenty of forewarning of the dangers of "house flipping." Real estate schemes had been reported on in the news for years. In fact, during the summer of 2008 there was much press about two specific political candidates that were implicated in an investigation that ended up being prosecuted, however, when one of them got the Democratic Party nomination for President his name disappeared from public notices about the investigation and the other...well, there were other "issues." This is not such a different situation. "High volatility commercial real estate exposure" in consideration of the residential real estate market belies more than your policy wants to address forthrightly. For years there has been an effort engaged at various levels of intensity to launder "assets" through federal programs for health and human services, as well as emergency or public housing. We get lip service about certain specific individuals who might be well-timed for "recharacterization" but no real assistance in staunching the aberrant economic policies that have served to undermine the U.S. and others since the alleged "bailout" of the banks. I have attempted to use "public comments" to get some resolution regarding long-standing issues of economic malfeasance after years of witnessing my "reports" to regulatory and law enforcement agencies just get "flipped" to line item appropriations, underwriting or "risk assessments" for various large-scale security instruments and investment paradigms. There is really little action taken to correct policies that are identified as problematic before they reach a crisis point. There is, on the other hand, this "opportunity" to "comment" on the essential concern of our economic basis. I believe it is supposed to be a record of an "investment" in the future of America. So let us begin... "...that the exclusions for one-to-four family residential properties would not include credit facilities that solely finance land development activities, such as laying of sewers, water

pipes, and similar improvements to land, without any construction of one-to-four family residential structure. In order for a loan to be eligible for this exclusion, the credit facility would be required to include financing for construction of one- to four-family residential structures." How does this effect "bundling" of mortgages for packaging for use for other finance deals as well as "clearinghouse" aspects connected to "mixing" of assets with different risk "weights," including ones not eligible for exclusion? Long-standing concerns involve "bundling" of mortgages with varied risk factors into packages that may not accurately identify the needs of the mortgagor or be able to identify a questionable concurrent transactional process. A concern still exists in permitting the leveraging or "swapping" of "toxic" assets as part of these bundles in manners that may facilitate illicit financial activities. How will a one- to four-family structure exclusion requirement in connection with revised financing rules address this concern? "As described in the Supplementary Information section in the preamble to this proposed rule, to OCC believes the change to the treatment of land development loans for the purpose of the one- to four-family residential properties exclusion in the definition of HVCRE exposure will result in an increase in future required capital, once existing HVCRE land development loans roll over." How will local efforts to acquire other security instruments in order to finance capital improvement projects be impacted in the course of promoting new rules connected to mortgage financing of this sort? Will there be comparable rule changes regarding financing or refinancing of new or existing capital improvement or other bonds in connection with this rule change? This level of financing would also include assessments of existing mortgage rates and property values. This could have a profound impact on smaller lenders and self-mortgaged options for those who prefer to avail themselves of such. HUD policy recently changed to remove the 10-year mortgage period requirement and maintain only a one-year warranty on repairs to housing. This means some HUD properties could be "flipped" or included in bundles with others that have to be considered with the HVCRE standards applied. A great deal of the urban considerations in the period leading up to the collapse of the real estate market in the mid-2000s had to do with processes of "flipping" mortgages; the recent HUD decision compels a consideration of anticipation of a serious shift in new HUD housing as well as the finalization of previously-engaged HUD financing that will "term" out soon. Attempts to report on fraud involving HUD housing programs have yielded little in the way of regulatory change to prevent further fraud involving public housing allocation or assessments of housing needs regarding publicly-financed housing. This could have a profound impact on market participants in regards to new financing or refinancing on existing mortgages that may be recharacterized. In Houston, TX in the summer of 2017 a report was issued concerning an outstanding \$30 million of \$51 million in affordable housing bonds that was unaccounted for after many years right as the City of Houston was approving changes to its local flood mitigation plan. Following Hurricane Harvey, however, there was a request for "emergency assistance" without any follow-up on the reports concerning the outstanding non-emergency funding that had already been voter-approved and issued to the City of Houston years earlier. This included a buy-out of existing housing that was already slated to be effected by the non-emergency decisions of the municipality regarding changes to its flood mitigation strategy. It also included a request for HUD assistance ostensibly to address concerns regarding the effects of Hurricane Harvey. The concerns regarding local plans for flood plain upgrades come under consideration in this regard. In the event that flood plain upgrades are to be incorporated into new or existing residential development new financing or refinancing will need to be acquired in order to be compliant with requisite flood plain upgrades. It is important to factor these into the costs of the financing package in a manner that does not compel an emergency appropriation or categorization of "emergency-related" financing as a substitute for efficient and fiscally-sound budgeting. The concerns around upgrades to the flood plain plan have been in development for nearly a decade; it is inappropriate to not factor them in at this time in regards to any new rules concerning financing or refinancing, especially insofar as they are also factoring in infrastructure needs/costs or requirements connected to redesignations of flood plain areas. At this time the flood insurance program is still a federal program, however, the financial solubility of the current program has been questioned for many years. This will impact the insurance needs for new homeowners or those attempting to accommodate the redesignations of their real properties in accordance with changes to the flood plain upgrades in the respective area. Appraisals on the properties are important for accurate assessment of the insurance needs. This would compel a serious reconsideration of the manners in which previous public investment has been effectuated. The "maxing out" of public assistance as a means by which to sustain the programs that were ostensibly for "temporary" relief while people were not provided with the

means by which to successfully acquire personal assets or credit is a major concern. It is no different now than it was ten years ago, or even twenty years ago. The only difference is that now there is a new sort of currency that is being employed without appropriate disclosure as to the means by which it was developed. There is supposed to be at this time a process of implementing disclosure by financial institutions and investors per the terms of the Basel Agreement, but it seems in lieu of adequately addressing the misuse of derivatives during these last years that it is represented as some sort of "donation" or "fine" for the purposes of recalibrating metrics in the scheme without appropriately addressing the underlying causes of the problem. This is unsustainable and the Federal Reserve has to know. Additionally, an Executive Order and an Executive Declaration in conjunction with the Department of Interior in 2017 emphasize increased access to broadband for rural areas. How are the lands upon which or in proximity to which new broadband towers are to be constructed to be assessed? Evaluation in respect to the existing changes to HUD via ascription under the purview of the Department of Homeland Security calls into question frequencies that will be used in regards to various broadband networks in communities featuring mixed-income real estate developments, as many urban areas have, and in any HUD housing in rural areas. Multi-family housing structures will have different requirements concerning apportionment of middle-income or low-income housing; this can impact not just financing for the mortgage but also for any above-ground projects, in addition to subterranean projects like the ones specifically mentioned in this proposal. That "currency" addressed above becomes even more important in these regards. In consideration of these changes and the effect they will have on new mortgages and refinancing of existing mortgages, how will the subsidies that were offered to various banks and financial institutions as part of the Troubled Asset Relief Program impact new mortgage considerations or considerations of refinancing? Will there be any oversight of or standards determined for how banks and lenders are permitted to calculate their new mortgages or refinancing under these rule changes? What DID happen with the subsidies for banks that have since closed? What precedent was set in regards to the last ten years of evaluation of the TARP program in connection with the ability of the federal government or affiliated entities to guard against another federal bailout in the event of a paradigmatic market shift? Finally, the concerns around broadband access and jurisdiction of the various agencies that will be needing financing in connection with new mortgages or refinanced mortgage is a concern in regards to the permissibility of the associated lenders to engage properties in their portfolios in any form of "stress-testing" for the requisite institution. There have been recent rule changes concerning "stress-testing" for banks and certain changes are going into effect this year regarding associated time periods for such "stress-testing." What precautions are being implemented to assure that banks do not disabuse their mortgage portfolios in addressing any "stress-test" requirements? Implementing piecemeal "procedural" changes to financial institutions does not address the material realities of the people of this country or others who are counting on us to make good decisions. We can not let what is obviously another set up to try to cover up for years of bad judgment in the financial realm provide people who have already abused one bankruptcy of federal coffers with a "rollver"...in whose house? We need to know what is going to occur regarding the "subsidies" to mortgage providers that was accrued under the original TARP program. Rather than permit banks to leverage this in any sort of reconfiguration with the upcoming market changes, there needs to be a means by which to re-evaluate on an individual basis that which underpins these subsidies so that it is not merely just "carried over" into more years of "market manipulation" in the form of disabusing people's personal private property rights. Let us start by an honest and accurate accounting of the "performance" of all involved "central counter parties" in the years since the bailout began in an official manner that does not call into question national "loyalty" for wanting to make wise investment decisions and assuring the legality of contract terms. Then let us know what actual policy in place backs up those assessments. I do hope it is not an Executive Order on...volatility.