OPPORTUNITY FINANCE NETWORK

October 15, 2007

Office of the Comptroller of the Currency
250 E Street, SW, Mail Stop 1-5
Washington, DC 20219
Attention: Docket Number OCC-2007-0013
regs.comments@occ.treas.gov

Office of Thrift Supervision
Regulation Comments
Chief Counsel's Office
1700 G Street, NW
Washington, DC 20552
Attention: Docket Number OTS-2007-0016
regs.comments@ots.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th and Constitution Avenue, NW Washington, DC 20551
Attention: Docket Number OP-1292
regs.comments@federalreserve.gov

National Credit Union Administration
Mary Rupp, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428
Attention: Comments on Proposed Illustrations of Consumer Mortgage Information for Subprime Mortgage Lending
regcomments@ncua.gov

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: Comments on Proposed Illustrations of Consumer Mortgage Information for Subprime Mortgage Lending
Comments@fdic.gov

Re: Opportunity Finance Network comments on *Proposed Illustrations of Consumer Mortgage Information for Subprime Mortgage Lending* submitted to the Office of the Comptroller of the Currency, Office of Thrift Supervision, Board of Governors of the Federal Reserve System, National Credit Union Administration, and the Federal Deposit Insurance Corporation, collectively, the "Agencies."

To Whom It May Concern:

Opportunity Finance Network[1] (OFN) appreciates the chance to comment on the Agencies' *Proposed Illustrations of Consumer Mortgage Information for Subprime Mortgage Lending* to address emerging issues and questions relating to certain subprime mortgage lending practices.

Opportunity Finance Network commends the Agencies for their continued efforts to combat predatory lending practices and ensure a responsible mortgage system. We support strong legislative and regulatory solutions that facilitate affordable, responsible credit for all Americans.

Opportunity Finance Network is pleased that the Agencies are addressing problems with disclosure requirements and consumer information for lenders in the subprime mortgage market and generally

[1] Opportunity Finance Network, the national network of more than 160 financial institutions creates growth that is good for communities, investors, individuals, and the economy. Its members include Community Development Financial Institutions (CDFIs) and other opportunity finance institutions that work just outside the margins of conventional finance to bring those markets into the economic mainstream and to help the economic mainstream flow into those markets. CDFI financing has resulted in significant numbers of new jobs, jobs preserved, quality, affordable housing units, and new commercial and community facility space in all 50 states. Over the past 30 years, the Opportunity Finance industry has provided more than $23 billion in financing that would not otherwise have happened in markets that conventional finance would not otherwise reach.

support the proposed illustrations. We urge the Agencies to adopt the proposed illustrations as soon as possible.

Background

The current trouble in the housing market has gained national media attention as a once highly profitable mortgage business begins to soften and weaken dramatically. The most recent housing boon, which was fueled by rising housing prices, high demand for commercial and residential real estate, and easy credit precipitated a climate in which unscrupulous lenders could profit from entrapping borrowers into exotic adjustable rate mortgage (ARM) products that borrowers cannot afford. Lenders, enticed by massive profits reaped during the boon, loosened underwriting standards in order to secure more mortgages for increasingly expensive homes. These adjustable rate mortgages, which are equipped with initial teaser rates that are below the market rate, result in lower than normal introductory payments during the beginning of the loan period. The introductory period is now ending for millions of borrowers, and they are seeing their mortgage loans reset at much higher-interest rates, with their mortgage payments increasing sharply. As a result, many borrowers will be in a predicament in which they cannot afford their payments, and may become seriously delinquent and possibly have their homes enter foreclosure.

The recent turmoil in credit markets has been exacerbated, in large part by rising default rates of subprime mortgage loans in the subprime market. This has created a tsunami effect on the economy, reverberating from the subprime mortgage market into the overall credit markets. Loans were made to borrowers with undocumented sources of income and questionable credit histories. Thus, flaws in the subprime mortgage market have overflowed into the larger credit markets, and are impacting consumer wealth and confidence amid declining housing prices, large loan payments, and rising interest rates.

These market distortions have arisen largely as a result of imperfect information between borrowers and lenders. Lenders often do not take steps to ensure that borrowers are fully aware of the terms of their loan agreements; loan closings can be harrowing times filled with confusing financial information that even the savviest borrowers would have difficulty disseminating.

Illustrations

The proposed illustrations would narrow the information gap between borrowers and lenders and allow the market to function more efficiently; hopefully increasing transactions that can benefit not only brokers and lenders, but also help borrowers to purchase a home and not lose the home to foreclosure due to upswings in interest rates and monthly payments that reset at much higher rates after initial introductory periods.

Opportunity Finance Network agrees the final illustrations should be available for download on the Agencies' websites to ensure ease of dissemination while reducing budgetary stress associated with the production of the illustrations for community banks and lenders. This availability will also potentially increase the use of the illustrations by making them widely available as a template for lenders to insert the appropriate product information for their business while also establishing minimum disclosure requirements for lenders wishing to implement the Consumer Protection Principles of the Subprime Statement.

OFN commends the Agencies for emphasizing consumer education in the subprime mortgage market. Full disclosure of information can minimize risk on behalf of the borrower and the lender by reducing the chance that a borrower will end up with a mortgage payment he or she cannot afford and possibly face default or foreclosure.

Response to Specific Questions Posed

In the notice with request for comment, the Agencies ask: *Will the illustrations, as proposed, be useful to institutions, including community banks, seeking to implement the "Consumer Protection Principles" portion of the Subprime Statement, or whether changes should be made to them?*

The illustrations will provide consumers with a chance to review their loan products and ask questions about future payments and interest rates before they commit to a risky adjustable rate mortgage loan. Consumers often enter into mortgage loans they cannot afford because they do not fully understand the risks and penalties associated with adjustable rate mortgages. The illustrations will potentially reduce borrowers' risks of payment shock when rates reset and payments soar. The illustrations would be useful to community banks that may not be able to incur the costs of printing their own materials and documents for distribution to the public.

The Agencies ask: *Will the illustrations, as proposed, be useful in promoting consumer understanding of the risks and material terms of certain ARM products, as described in the Subprime Statement, or should changes be made to them?*

Opportunity Finance Network generally finds the illustrations to be a useful and helpful tool for helping consumers to fully understand the risks and benefits associated with certain adjustable rate mortgage products. Illustration 1 provides valuable facts about the adjustable mortgage in terms that can be understood by borrowers who lack significant financial sophistication. Illustration 2, in particular, is very effective because it quantifies the risks of certain ARM products, and provides a side-by-side comparison of monthly mortgage payments under a traditional, 30-year fixed rate mortgage versus payments made under an adjustable rate mortgage. This illustration clearly shows buyers that payments under the ARM will be lower than normal initially, but will surpass the payment under a traditional fixed rate after the upward adjustment of the introductory rate.

The Agencies ask: *Is the information in the illustration set forth in a clear and concise manner and format, or should changes be made to them?*

Opportunity Finance Network generally finds the illustrations to be informative, comprehensible, and concise. The loan officers should explain the illustrations to consumers to make sure they fully understand the content instead of simply providing consumers with a copy of the illustrations and trusting that the consumer will read and understand all of the information.

The Agencies ask: *Should these illustrations or a modified form be adopted by the Agencies?*

The illustrations should be adopted by the Agencies to help serve as guidelines for institutions seeking to implement the recommendations from the Consumer Protection Principles in the Statement on Subprime Lending.

The Agencies ask: *Are there additional illustrations relating to certain ARM products that would be useful to consumers and institutions?*

Opportunity Finance Network finds the proposed illustrations could be supplemented by quantitative illustrations showing the effects of prepayment penalties and balloon payments. This would help borrowers accurately assess the long-term effect these loan features could impose on a borrower's monthly payments in the future. Many consumers are unaware that exorbitant fees resulting from prepayment penalties can often prevent borrowers who have improved their credit scores from refinancing their high-interest rate home loans, even if the borrower qualifies for a better loan. Buyers should be fully aware that many ARM products have stiff fees if the loan is repaid before the initial interest rate has time to adjust. In addition, ARMs with balloon payments can propose undue hardship on borrowers when the entire balance of the loan becomes due in a much shorter time period than under a traditional 30-year mortgage loan. Borrowers should be informed of the potential risks of these loan products.

Conclusion

Opportunity Finance Network applauds the Agencies for addressing problems with consumer information concerning subprime mortgage loans. We support the proposed illustrations and urge the Agencies to implement these proposed illustrations as soon as possible with consideration of the following:

- The Agencies should adopt additional illustrations showing quantitative examples of prepayment penalties and balloon payments.

- The Agencies should make the illustrations available as an electronic template for downloading from the Agencies' websites.

Opportunity Finance Network thanks you for the chance to comment and we look forward to working in partnership with the Agencies to reduce unscrupulous lending practices. If you have questions or concerns about these comments, please do not hesitate to contact me at 215.320.4304 or mpinsky@opportunityfinance.net.

Sincerely,

Mark Pinsky

Mark Pinsky
President and CEO