

From: Lance Richmond [Lance.Richmond@netupdate.com]

Sent: Tuesday, September 25, 2007 10:17 AM

To: Comments, Regs

Subject: OTS-2007-0016

Here is some feedback about the proposed illustrations for consumer information on subprime loans.

For Illustration 1, the narrative explanation, I would like to see a comment that clarifies what the applicant/borrower will be seeing on the Truth-in-Lending Disclosure. Borrowers have trouble understanding the estimated payment schedule for ARM loans. Please make it clear that the payment schedule on that disclosure reflects the current market rate. I'd go with something like the following:

“You will be receiving a Truth-in-Lending (Regulation Z) Disclosure from your lender. This disclosure contains important information such as the Annual Percentage Rate, the Finance Charge, and the schedule of your mortgage payments. Please note that this information reflects the CURRENT market rate (the index + margin). It does NOT reflect the fact that the market rate will keep changing during the course of your loan, nor does it necessarily represent a worst-case scenario. The payment schedule on this disclosure does not therefore necessarily show you the highest possible payments you might have to make. Ask your lender about rate caps and the largest possible payments on your loan.”

For Illustration 2, the numerical examples, I have two suggestions. First, I think that this disclosure should include all the loan details that you have given in footnote 2. Otherwise it may not be clear just how those dollar amounts were determined. Second, do not refer to the Year 4 rate as the “maximum rate.” The rate of 11.5% is simply the market rate (the index + margin). It is not the highest possible rate at that point.

Thank you.

Lance Richmond
Netupdate, Inc.
lance.richmond@netupdate.com
(425) 605-2775