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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Attention: Docket No. 2002-17

To Whom it May Concern:

As a member of the National Community Reinvestment Coalition, the Columbus Housing Initiative strongly supports the proposed changes to the Office of Thrift Supervision's regulations implementing the Alternative Mortgage Transaction Parity Act (AMTPA). The Columbus Housing Initiative has been involved in combating predatory lending for years. We have repeatedly seen instances in which unscrupulous lending institutions have used prepayment penalties to trap borrowers in abusive loans. Borrowers have also faced stiff late fees associated with abusive loans. The current AMTPA regulations have facilitated the proliferation of prepayment penalties and late fees in predatory loans.

AMTPA has outlived its usefulness. Congress passed AMTPA in 1982 during a high interest rate environment in order to provide state-chartered institutions the ability to offer adjustable rate mortgages (ARMs) and other alternative mortgages. At that time, many states had outlawed ARMs. From 1983 to 1996, the Federal Home Loan Bank Board (the OTS' predecessor agency) and the OTS granted state-chartered thrifts and non-depository institutions preemption under AMTPA from state law on alternative mortgages so that they could offer ARMs. During this time period, however, the Bank Board and the OTS did not allow institutions to preempt state law on alternative mortgages that limited prepayment penalties and late fees. In 1996, the OTS inexplicably reversed course and allowed institutions to preempt state limits regarding prepayment penalties and late fees on alternative mortgages.

This single change in the OTS regulations during 1996 contributed significantly to the dramatic increase in predatory lending of the last few years. Non-depository institutions and mortgage companies that were state-chartered applied prepayment penalties at such a high rate that the great majority of subprime borrowers (about 80 percent) now have prepayment penalties. In contrast, only 2 percent of prime borrowers have prepayment penalties on their loans, according to Standard and Poor's. This huge difference in the application of prepayment penalties suggests that penalties trap subprime borrowers into abusive loans, and that subprime borrowers do no freely accept prepayment penalties as a means of lowering their interest rates.

The residents of Columbus, Georgia were awakened to sobering news on May 3, 2002. The lead headline in the morning newspaper read: *Minorities Often Stuck With High-Interest Loans.* According to a study released by the Washington, DC-based Center for Community Change, Columbus ranked seventh in the Nation based on overall percentage of subprime refinance loans. According to the news account, Columbus recorded 1,799 refinance loans in 2000, of which 42.67% were subprime, high interest loans. The article also revealed that upper income African-Americans were three times more likely to get subprime loans than Whites with equal incomes. The study confirmed what the Columbus Housing Initiative suspected all along: That predatory lending is rampant in Columbus, Georgia.