

JUSTINE PETERSEN HOUSING & REINVESTMENT CORPORATION

Helping families invest in their tomorrow...today.

June 17, 2002

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Regulations Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, D.C. 20552

Attention: Docket No. 2002-17

To Whom It May Concern:

As the Executive Director of Justine Petersen Housing & Reinvestment Corporation (JPHRC), a housing counseling, lending and low-income family advocacy organization, and as a member of the National Community Reinvestment Coalition (NCRC), I am writing to strongly support the proposed changes to the Office of Thrift Supervision's regulations regarding the Alternative Mortgage Transaction Parity Act (AMTPA). The current AMTPA regulations have fostered anti-consumer practices in the form of insidious prepayment penalties and late fees to uninformed low-income families. My staff and I frequently have opportunities to assist families to refinance loans wherein they must contend with large prepayment penalties from lenders who prey them because of their lack of knowledge and experience in the financial world. I am hopeful that the OTS will reverse its most bizarre 1996 ruling that makes such opportunities available to independent mortgage companies.

Simply put, AMTPA has outlived its usefulness. In the early 1980's when interest rates were high, creating an adjustable rate mortgage product (ARM) assisted the public and the economy. The OTS and the Federal Home Loan Bank Board at that time did not allow institutions to preempt state law on alternative mortgages that limited prepayment penalties and late fees. That policy changed in 1996 when the OTS reversed course and allowed institutions to preempt state limits related to prepayment penalties and late fees on alternative mortgages.

This 1996 change in the OTS regulations has contributed to the sub-prime mortgage market requiring pre-payment penalties from a large majority of its borrowers – over seventy percent according to some sources. This compares to less than five percent of prime borrowers who must pay a prepayment penalty. Because of the application of the prepayment penalty, the sub-prime market is abusing consumers who want to refinance to lower rates. It is a policy that should be changed.

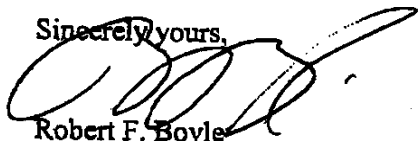
Prepayment penalties and late fees are not integral elements of alternative mortgages, as the OTS correctly notes in its proposal. The OTS also reports that all states but one now allow ARM's, suggesting that AMTPA is antiquated and has outlived its usefulness. Predatory lenders are using AMTPA to evade state law on alternative mortgages so they can prey on vulnerable borrowers.

Justine Petersen Housing & Reinvestment Corporation cannot emphasize enough how urgent it is to remove AMTPA's preemption of state limits related to prepayment penalties and late fees on alternative mortgages.

JPHRC believes that the OTS proposal could be stronger. The AMTPA statute provides OTS with the discretion to suggest general limits on loan terms and conditions. The OTS should adopt a two-year limitation on prepayment penalties for the alternative mortgages issued by the institutions it regulates. The limitation would also stipulate the maximum amount of the prepayment penalty at one percent of the loan amount. Currently, many consumers are confronted with paying 5% or more of the loan amount as a prepayment penalty. Justine Petersen Housing & Reinvestment Corporation believes that limiting prepayment penalties across the board would have achieved a greater degree of uniformity among the institutions that the OTS regulates. If the OTS does not adopt a more specific prescriptive approach, Justine Petersen Housing & Reinvestment Corporation urges the OTS to stick with its proposal and to resist industry calls to weaken its proposed regulatory changes.

I applaud the OTS for proposing this change to its AMTPA regulations, and ask the OTS to implement this change as quickly as possible after the close of the public comment period.

Sincerely yours,



Robert F. Boyle
Executive Director

cc: National community Reinvestment Coalition