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Sent: Wednesday, June 05, 2002 1:08 PM
To: regs.comments@ots.treas.gov
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Subject: Docket No. 2002-17

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:

HomeFree-USA, Inc. is a member of the National Community Reinvestment Coalition and a strong proponent of anti-predatory lending outreach and enforcement. **HomeFree-USA** has been involved in combating predatory lending for several years. As a HUD approved, housing counseling agency in Washington, D.C., we have repeatedly seen instances in which unscrupulous lending institutions have used prepayment penalties to trap borrowers in abusive loans and presently coordinate the *Don't Borrow Trouble* campaign with Council of Governments, NCRC, the Fair Housing Alliance and Freddie Mac. 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.

Each week, HomeFree-USA, Inc. counselors help underserved people, seniors and women to better understand the financial constraints of their loans. Often, seniors sign documents that they are unsure of and are uncertain of how to back out of the loan. Home improvement loan scams are a big issue in Washington, D.C. Seniors often agree to pay all of their income for their loans, just to have their homes repaired and in many cases risk or end up losing them to these predatory practices.

The OTS correctly notes in its proposal that prepayment penalties and late fees are not integral elements of alternative mortgages. The OTS also reports that all states but one now allow ARMs, meaning that AMTPA is no longer needed. Instead, predatory lenders are using AMTPA and the existing OTS regulations to evade state law on alternative mortgages and prey upon unsuspecting and vulnerable borrowers. HomeFree-USA cannot emphasize enough how urgent it is to remove AMTPA's preemption of state limits regarding prepayment penalties and late fees on alternative mortgages.

HomeFree-USA notes that the OTS could have made its proposal stronger. The AMTPA statute provides OTS with the discretion to prescribe general limits on loan terms and conditions. The OTS could have adopted a two-year limitation on prepayment penalties for the alternative mortgages issued by all the institutions it regulates including federally chartered thrifts, state-chartered thrifts and non-depository institutions. The limitation would also stipulate the maximum amount of the prepayment penalty at one percent of the loan amount. Currently, victims of predatory lending are confronted with paying about 5 percent or higher of the loan amount as a prepayment penalty.

HomeFree-USA, Inc. believes that limiting prepayment penalties across the board would have achieved a

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greater degree of uniformity in the regulatory framework for different institutions. If the OTS does not adopt a more prescriptive approach, HomeFree-USA strongly urges the OTS to stick with its proposal and to resist industry calls to weaken its proposed regulatory changes.

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

Sincerely,

Marcia Griffin,

President

cc.

National Community Reinvestment Coalition



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