

1

Burton, Marilyn K

From: Bob Ostrager [bob_ostrager@lowrates4u.com]
Sent: Monday, April 22, 2002 5:51 PM
To: regs.comments@ots.treas.gov
Subject: Docket #2002-17

To Whom it May Concern:

I have reviewed the proposed rule amending the OTS guidelines for the Alternative Mortgage Transactions Parity Act. If I understand correctly, implementation of this rule would preclude state housing creditors from charging prepayment penalties under the same terms/conditions as federally chartered entities.

As the principal of a state licensed "housing creditor", I wish to point out the negative consequences of such a rule:

1. Presently, consumers who wish to obtain a lower interest rate by accepting a prepayment penalty are able to shop from the entire array of state and federally regulated lenders. Adoption of this rule would thus substantially limit these options by restricting the number of lenders who could offer this benefit.
2. Certain loan programs which are not offered by federally chartered institutions would no longer be available with a reduced price option in exchange for a prepayment penalty.
3. Unable to protect against "loan flipping" via frequent refinances, lenders will require higher rates, across the board, to cover the costs of rapid prepayments.

It is vital for the OTS to note that prepayment penalties are not inherently "predatory". In fact, such penalties are a legitimate means for borrowers to obtain lower rates. Reform may be necessary to change the way that penalties are disclosed and to insure that borrowers are given a CHOICE. However, the elimination of that choice and the resultant market imbalance are NOT in ANYONE's best interest.

As an example, I was recently able to offer a borrower a 5 year ARM loan at 6.25% with no points. The loan was offered with a 3 year prepayment penalty utilizing the parity act in NJ. Another borrower, referred by this customer, wanted the same terms but was located in NY (opted out of the parity act) and thus could not obtain the reduced rate (rate in NY was 6.75%!).

I urge the OTS to reconsider this misguided rule.

Bob Ostrager
Equity Financial Inc.
(732) 448-9600 ext. 107
Fax: (732) 514-0261