



DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.

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June 18, 2002

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

Re: Docket No. 2002-17

Dear Sir/Madam:

As a member of the National Community Reinvestment Coalition, and Delaware's only fair lending advocate, Delaware Community Reinvestment Action Council, Inc., (DCRAC) strongly supports the proposed changes to the Office of Thrift Supervision's regulations implementing the Alternative Mortgage Transaction Parity Act (AMTPA). Our comments are limited to prepayment penalties. We have been involved in combating predatory lending for several years and have seen the use of prepayment penalties to trap borrowers in abusive loans.

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. Today, according to the OTS, all states but one now allow ARMs. The interest rates are low. AMTPA has outlived its usefulness.

Since 1996, when the OTS allowed preemption of state laws with regard to prepayment penalties, a majority of state chartered non-depository lenders apply prepayment penalties. In contrast, only 2 percent of prime borrowers have prepayment penalties on their loans.

We applaud the OTS for proposing this change and ask that the change be implemented as quickly as possible after the close of the public comment period.

We do want to suggest that OTS consider a stronger revision. For all the institutions regulated by the OTS:

- 1. Limit the term of prepayment penalty to a maximum of two-years and
- 2. Limit the amount of prepayment penalty to 1% of the loan amount

Sincerely,
Rashmi Rangan
Rashmi Rangan

Cc: National Community Reinvestment Coalition

A private 501 (c) (3)
non-profit
Founded in 1987

Our mission is "to ensure equal access to credit and capital for the under served populations and communities throughout Delaware through Education, Advocacy, and Legislation."