From: Bethany Sanchez [bethany_sanchez@hotmail.com]
Sent: Monday, May 07, 2007 3:58 PM
To: Comments, Regs
Cc: jsilver@ncrc.org
Subject: Docket No. 2007-09, proposed subprime guidance

May 7, 2007

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

Attention: Docket No. 2007-09, proposed subprime guidance

I am writing as the coordinator of an anti-predatory lending initiative that serves borrowers in Milwaukee County, in the State of Wisconsin. We agree with the National Community Reinvestment Coalition that the proposed extension of guidance to subprime lenders will lessen mortgage defaults and foreclosures, lessening risks to consumers. While we feel that it would be advisable to also extend guidance to prime market lenders, we support your intention to further regulate these risky loans. We urge your agency to implement these proposed changes as soon as possible.

Your proposed guidance requiring lenders to assess the borrower's ability to repay the loan at the maximum interest rate will help ensure that borrowers will be able to afford subprime adjustable rate loans. Currently, many subprime lenders are assessing the borrowers' repayment ability only at the low, initial rate, which is causing borrowers to default when the interest rate increases.

In addition, we applaud the proposed guidance discouraging onerous prepayment penalties and urging lenders to exercise appropriate caution when using reduced documentation of borrower income. Callers to our hotline are often trapped by loans with high prepayment penalties, and we have seen all too many instances where lenders or mortgage brokers inflated the income of the borrower on a stated income loan, making it appear that the borrower had sufficient income, but knowing that the loan would fail.

Many borrowers who took out 2/28 and 3/27 subprime loans are subject to unpredictable future costs. Loans such as these, offering a two or three year fixed interest rate and then jumping up 50% or more in monthly payments after that, result in payment shock, forcing borrowers in Milwaukee County and across the country to refinance or risk certain default. Often, these borrowers were lied to by their mortgage broker or loan originator, and many didn't even know that they had an adjustable rate mortgage. Often, these same borrowers could have qualified for thirty year fixed rate loans at affordable interest rates, but they were steered into these toxic loans. In order to truly expand market participation and financial access to low and moderate income families; secure and responsible means of extending credit must be encouraged.

The upshot of the upswing in dangerous lending is that 223,000 households with subprime loans lost their homes to foreclosure and 725,000 had missed mortgage payments in the third quarter of 2006, according to the Mortgage Bankers Association. The percentage of subprime mortgages delinquent by 90 days or more, in foreclosure, or resulting in seized properties hit 10% in November of 2006.

These numbers point to a big concern that progress made in lending to working class and minority communities during the 1990s stands to be lost. The extension of guidelines to subprime lenders is an important measure, which is quite necessary at this time.

Thank you for your consideration of this important matter. If you have any questions, please contact our organization. My full set of contact information is below.

Sincerely,

Bethany Sanchez
Director, Community and Economic Development
Metropolitan Milwaukee Fair Housing Council
600 E. Mason, Suite 200
Milwaukee, WI 53202
414/ 278-1240, x22
Board member, National Community Reinvestment Coalition

cc. National Community Reinvestment Coalition