



SHRIVER CENTER

Taking action to end poverty

Sargent Shriver National Center on Poverty Law

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.

The Sargent Shriver National Center on Poverty Law supports OTS' proposed extension of guidance to subprime lenders. We believe that this extension will lessen mortgage defaults and foreclosures, lessening risks to consumers. While we believe 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.

The Shriver Center champions economic opportunity through fair laws and policies so that people can move out of poverty permanently. The community investment unit employs national, state, and local advocacy and model programs to strengthen families and communities through building, owning, and protecting personal and financial assets.

We support this extension because it will ensure that borrowers will be able to afford subprime adjustable rate mortgage (ARM) loans. These loans require lenders to assess the borrower's ability to repay the loan at the maximum interest rate. In addition, your proposed guidance discourages onerous prepayment penalties and urges lender to exercise appropriate caution when using reduced documentation of borrower income.

"Predatory" loans including 2/28 and 3/27 subprime loans are subject to unpredictable future costs. These loans after a two-year fixed rate can jump to 50 percent or more in monthly payments, which forces many borrowers in Illinois and across America to refinance or risk certain default. Often, these same borrowers could have qualified for 30-year fixed rate loans at affordable interest rates. Secure and responsible means of extending credit must be encouraged in order to expand market participation and financial access to low-and moderate-income families. We believe that the extension of guidelines to subprime lenders is an important measure, which is quite necessary at this time.

Thank you for addressing this important matter. If you have any questions, please contact me.

Sincerely,

Dory Raab, Supervising Attorney
The Sargent Shriver National Center on Poverty Law
312.368.2007