April 11, 2007

Docket No. 2007-09

Regulation Comments
Chief Counsels Office
Office of Thrift Supervision
1700 G Street NW
Washington, DC 20552
Regs.comments@ots.treas.gov

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

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. As necessary as the proposed guidance is, it still fails to cover a significant portion of lenders that are non-depository institutions. We urge your agency to implement these proposed changes as soon as possible.

Your proposed guidance is an important step toward insuring that borrowers of subprime adjustable rate mortgages (ARMs) will be able to afford their loans, by encouraging lenders to assess the borrowers' ability to repay the loan at the maximum interest rate. Currently, many subprime lenders are assessing repayment ability at the low, initial rate, which will cause several borrowers to default when the interest rate increases. In addition, your proposed guidance discourages onerous prepayment penalties and urges lenders to exercise appropriate caution when using reduced documentation of borrower income.

Many borrowers who took out 2/28 and 3/27 subprime loans are subject to unpredictable future costs. "Predatory" loans, such as these, offering a two-year fixed rate and then can lead to jumps of 50% or more in monthly payments, result in payment shock, forcing borrowers in my locality to refinance or risk certain default. Often, these same borrowers could have qualified for thirty year fixed rate loans at affordable interest rates. In order to truly expand market participation and financial access to low- 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. Progress made in the real estate lending market during the late 90s 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. (Put your organization's phone number here as the OTS requests it for emails.)

Sincerely,

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c.c. National Community Reinvestment Coalition
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