From: Josh Silver [jsilver@ncrc.org]
Sent: Thursday, May 03, 2007 10:32 AM
To: Comments, Regs; 'David Berenbaum'; 'Sylvia Lake'
Subject: NCRC Addition to Subpirme Guidance letter, Docket Number 2007-09
May 3, 2007

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

Attention: Docket No. 2007-09, Interagency Guidance on Subprime Lending

Dear Officials of Regulatory Agencies:

The National Community Reinvestment Coalition (NCRC) would like to issue this short clarification of our comment letter on the proposed subprime guidance. Regarding low-documentation loans, we urged the agencies to discuss specific safeguards against fraud in their guidance. We believe that when borrower income cannot be verified, the agencies should suggest that bank statements, tax returns, and other documentation may be used.

We also urged the regulators to advise lenders to use the maximum interest rate on ARM loans when underwriting these loans. By maximum interest rate, we mean the maximum possible rate that could apply for the first seven years. When the LIBOR or other widely used rate is low, it is possible that the LIBOR plus the margin will be lower than an initial rate during the first seven years. In this case, it is clearly not the regulators' intention to allow the lender to use the fully indexed rate when the initial rate is higher. The lender must underwrite using the higher rate, whether that is the initial rate or the fully indexed rate.

Thank you for your attention to this important matter. We hope that these comments are helpful in drafting an air-tight and rigorous regulation. Please contact me on 202-628-8866 if you have any questions.

Sincerely,

John Taylor
President and CEO