

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attn: Docket No. 2005-56
regs.comments@ots.treas.gov

March 29, 2006

Re: Proposed Guidance-Interagency Guidance on Nontraditional Mortgage Products 70 FR 77249 (December 29, 2005)

Dear Sir or Madam:

We appreciate the opportunity to comment on the proposed Interagency Guidance on Nontraditional Mortgage Products ("the Guidance"). In general, we believe that the issuance of the Guidance is a positive step and reasonably outlines significant factors that lenders should consider in developing underwriting standards and risk management practices that will be applied to these products. However, we are concerned that the Guidance, by overly emphasizing restrictive underwriting criteria, may inadvertently result in a reduction in the choice of mortgage products available to consumers. We are also concerned that the Guidelines may potentially reduce the appetite of regulated entities for these types of assets, thereby reducing the flow of funds to mortgage loans. This will also hurt consumers.

Residential Capital Corporation (ResCap) is a wholly owned subsidiary of General Motors Acceptance Corporation (GMAC). ResCap is a global real estate finance company created from the combined strength and experience of GMAC Residential Holding and GMAC-Residential Funding Corporation. ResCap also includes GMAC Bank, which is regulated by the Office of Thrift Supervision. According to data provided by National Mortgage News for 2005, ResCap is the 5th largest originator of residential mortgages in the United States.

We generally support the observations and recommendations provided in the comment letters prepared by the Mortgage Bankers Association and the Housing Policy Council formed by the Financial Services Roundtable. We encourage the regulatory agencies to consider the recommendations in their comment letters to modify the proposed Guidance.

The characteristics of "nontraditional" products described in the Guidance have existed for years and have been successfully underwritten through several business cycles. Innovation in the mortgage market has increased consumer choice, allowing consumers to better match their financing needs with available mortgage products. Similarly, innovation in mortgage products has enabled investors to find better matches to their portfolio investment needs, encouraging greater flow of funds to the mortgage markets. We are concerned that the Guidance could negatively impact consumer and investor choice if, as a result, regulated financial entities begin to restrict consumer access to these products and begin to restrict their portfolio investments into these products in order to reduce exposure to regulatory criticism. The combined impact of these actions would significantly reduce consumer choice and the liquidity of these products in the marketplace.

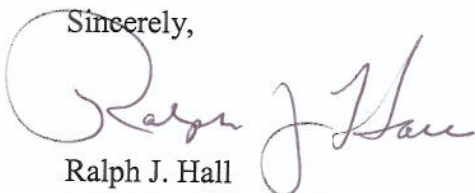
We believe the Guidance should reflect how closely tied the mortgage industry is with the capital markets. Selling and securitizing mortgage loans is one of the ways institutions manage their risk. Underwriting and sourcing strategies that are driven by the ability to originate loans to investors' guidelines have proven to enhance customer choice and enable mortgage originators to diversify their risk. The Guidance should reflect general, rather than prescriptive, practices to manage that risk.

We believe that instead of relying on strict guidance regarding appropriate underwriting standards for these products, the agencies can help ensure consumer and investor choice, while simultaneously protecting the safety and soundness of regulated entities, through maintenance of adequate capital, use of effective risk-based pricing, and prudent risk management strategies.

Finally, we believe the Guidance may create an uneven playing field between regulated and non-regulated mortgage lenders, distorting capital allocation decisions between regulated and unregulated entities and reducing the efficiency of the financial system. Unregulated mortgage companies are not subject to the same scrutiny and will likely find ways to provide the products that regulated lenders stop providing. The ensuing regulatory arbitrage may result in less oversight over any potential financial risk posed by these products.

In conclusion, ResCap supports the spirit of the Guidance by using prudent underwriting standards that require mitigating factors when the perceived level of risk increases, by using sound risk management practices to keep management effectively informed on portfolio performance, by adequately disclosing mortgage financing options to consumers, and by disclosing the characteristics of the chosen mortgage product to customers in order for them to make an educated borrowing decision. Consistent with industry comment letters, we believe the Guidance needs to be less prescriptive and more balanced.

Sincerely,



Ralph J. Hall
Chief Operating Officer
GMAC Residential Holding Corp.