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To:	Manager, Dissemination Branch, Information Management and Services Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, D.C. 20552, Attenti	**Date:**	April 25, 2000
Fax #:	202-906-7755	**Pages:**	13, including this cover sheet
From:	Sheila Canavan		
Subject:	Responsible Alternative Mortgage Lending		

COMMENTS:

ATTENTION: DOCKET NO. 2000-34

To Whom It May Concern:

I am one of the attorneys representing a number of elderly borrowers, and AARP, in litigation against First Alliance Mortgage Company, for unfair, unlawful and fraudulent business practices. The following comments are my own comments and do not necessarily represent the opinions of any of my clients.

Thank you for the opportunity to provide comments and thank you for the efforts you are making in this area.

RELIABLE STATISTICAL INFORMATION

One of the most serious problems I perceive in terms of insuring fair and ethical lending practices in the alternative mortgage lending market is limited access to reliable information. Based on my experience over the last four and one-half years, alternative mortgage lenders will not willingly provide information publicly (or even to their potential customers) regarding information which would be extremely helpful in evaluating the industry. The industry zealously guards as "propietary" even information which I believe should be public such as: (1) the yearly average number of points (loan origination fee, etc.) charged to their borrowers; (2) the yearly average total fees; (3) the number of loans they have made; (4) their actual foreclosure rates; (5) borrowers credit profiles; (6) the age of their borrowers, and so forth. At the same time that they refuse to provide this information to people studying the industry, they put out publicly, repeatedly and very effectively a message which may or may not be accurate - such as "We perform a public service because we loan money to people with bad credit histories."[1]

Whatever OTS can do to require the lenders and the secondary marketers to compile and publish - at least for use by regulatory agencies - important statistical information would be a great step forward.

HMDA REVISION

The Home Mortgage Disclosure Act should be amended to require the reporting of the AGE of the borrowers. It is fairly well-known that the elderly may be disproportionately represented in the so-called "subprime" market.

Also HMDA reporting should be monitored for compliance. If a lender is not reporting as required, action should be taken and when applications are made to OTS for any approvals - lack of compliance should result in a negative action.

DUE DILIGENCE

I favor OTS requiring federal thrifts to conduct a due diligence review of potential loan purchases to determine whether the loans meet applicable federal or state rules related to predatory practices. I have no advice on how to implement this however. For example, I have heard that the rating agencies (Mooody's etc.) Concept of due diligence is to allow lenders to preselect 10% of the loan files and that they do not even diligently review those.

SIGNIFICANT LITIGATION

I believe that OTS should require federal thrifts to disclose significant litigation against themselves and their business partners, and further must disclose ALL LITIGATION in which allegations of predatory lending practices have been made.. I also believe that OTS should require that any legal opinions regarding the significance of litigation cannot be provided by lawyers defending the lender in the litigation at issue.

LOAN COUNSELLING REQUIREMENT

I do not believe that loan counselling is effective for several reasons: (1) collusive relationships between lenders and counsellors; (2) likelihood that the counselling will become a weapon against the consumer.

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[1]I will fax you copies of pages from SEC reports and Annual Reports filed by First Alliance regarding the credit rating of their borrowers. Publicly, for many years, First Alliance claimed it charged high rates and fees because it loaned money to people with bad credit. I will also fax you information on the "points" they have charged because they now claim that they charged 10 points on a loan.

As a litigator I am very concerned that counselling will not work for the borrower BUT IT WILL BE USED AGAINST THE BORROWER later on when the borrower attempts to undo a wrong. For example, what if the lender says - "You know you have a right to go see a credit counselor if you don't trust me or if you think I've given you a bad deal - but it will slow up your loan, etc." Then later, in court or arbitration the lender will waive the "credit counselling opportunity flag" to say - if they didn't understand the deal it's their won fault - they could have seen a counsellor, etc. and fail to disclose that they discouraged the counselling or colluded with the counsellor.

MANDATORY ARBITRATION

I hope that OTS will take an official position seeking amendment of the FAA to exclude consumer loan transactions from the Federal Arbitration Act. We had to litigate for 2 years to prove that First Alliance used fraud to obtain mandatory arbitration agreements. We prevailed but one of our elderly client's died in the meantime. Furthermore, arbitration is behind closed doors, little if any discovery is allowed and the public never learns about companies with horrible predatory practices. This is a public policy issue.

Thank you very much for your time in reviewing these comments.

Very truly yours,

Sheila Canavan

Sheila Canavan

In addition to the above criteria, the Company requires higher interest rates on loans with certain risk factors. These factors include, among others, an unsubstantiated employment history, a recent foreclosure proceeding, a number of recent delinquent payments on an existing mortgage, a recent bankruptcy filing, non-owner occupied properties, rural properties or the presence of a senior mortgage or zoning restrictions on the subject property.

During the past three years, the Company's mix of loans by risk classification has not changed significantly. The following table reflects the risk classifications of the Company's loan originations and purchases in 1997:

Loan Classification	Total (Dollars in Thousands)	% of Total	Weighted Average Initial Interest Rate
"A" Risk	$ 245,602	46%	9.0%
"B" Risk	157,584	30	9.5
"C" Risk	100,565	19	10.0
"D" Risk	24,759	5	11.2
Total	$ 528,510	100%	9.5

Loan Originations and Purchases

The following table presents selected information relating to the origination and purchase of loans by the Company for the years ended December 31:

	1995	1996	1997
Type of property securing loan:			
Single-family	95%	95%	91 %
Multi-family and other	5	5	9
Total	100%	100%	100 %
Type of mortgage securing loan:			
First lien	95%	99%	99 %
Junior lien	5	1	1
Total	100%	100%	100 %
Weighted average interest rate	10.3%	9.6%	9.5 %
Weighted average initial combined LTV (1)	59.3%	62.2%	62.5 %

(1) The LTV of a loan secured by a senior mortgage is determined by dividing the amount of the loan by the appraised value of the mortgaged property at origination. The combined LTV of a loan secured by any junior mortgage is determined by taking the sum of the loan secured by such mortgage and any senior mortgages and dividing by the appraised value of the mortgaged property at origination.

Loan Sales

Securitization

In a securitization, the Company exchanges loans for regular interests and a residual interest in a trust. The regular interests are immediately sold by the Company to the public for cash. As the holder of the residual interest, the Company is entitled to receive certain excess cash flows. These excess cash flows are the difference between (a) principal and interest paid by borrowers and (b) the sum of (i) scheduled principal and interest paid to holders of the regular interests, (ii) trustee fees, (iii) third-party credit enhancement fees, (iv) servicing fees and (v) loan losses. The Company begins receiving these excess cash flows after certain overcollateralization requirements, which are specific to each securitization and are used as a means of credit enhancement, have been met.

No person has been authorized in connection with the Public Offering made hereby to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any Underwriter. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to any person or by anyone in any jurisdiction in which it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

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2,950,000 Shares

FIRST ALLIANCE CORPORATION

Class A Common Stock

PROSPECTUS

FRIEDMAN, BILLINGS, RAMSEY & CO., INC.

BEAR, STEARNS & CO. INC.

MONTGOMERY SECURITIES

September 12, 1997

increased risk inherent in the loan. A loan application must meet the following minimums with respect to each of the three primary factors to be included in the applicable ratings shown below:

	"A"	"B"	"C"	"D"
Minimum FICO Score	659	585	511	0
Maximum LTV	75%	73%	72%	65%
Maximum debt-to-income ratio	40%	49%	59%	65%

In addition to the above criteria, the Company requires higher interest rates on loans with certain risk factors. These factors include, among others, an unsubstantiated employment history, a recent foreclosure proceeding, a number of recent delinquent payments on an existing mortgage, a recent bankruptcy filing, non-owner occupied properties, rural properties or the presence of a senior mortgage or zoning restrictions on the subject property.

During the past three years, the Company's mix of loans by risk classification has not changed significantly. The following table reflects the risk classifications of the Company's loan originations and purchases for the six months ended June 30, 1997:

Loan Classification	Total (Dollars in Thousands)	% of Total	Initial Weighted Average Coupon
"A" Risk	$100,308	45.6%	8.9%
"B" Risk	63,519	28.9	9.5
"C" Risk	42,336	19.2	10.1
"D" Risk	13,959	6.3	11.1
Total	$220,122	100.0%	9.4%

The preceding discussion does not apply to the Company's new High LTV Loan Program. See "—General." The Company will originate High LTV loans in accordance with underwriting guidelines supplied by Mego. The Company may enter into similar arrangements with other originators.

No person has been authorized in connection with the Public Offering made hereby to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any Underwriter. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to any person or by anyone in any jurisdiction in which it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

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Until August 19, 1996 (25 days after the date of this Prospectus) all dealers effecting transactions in the Class A Common Stock offering hereby, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as Underwriters and with respect to their unsold allotments or subscriptions.

3,500,000 Shares

FIRST ALLIANCE CORPORATION

Class A Common Stock

PROSPECTUS

FRIEDMAN, BILLINGS, RAMSEY & CO., INC.

July 25, 1996