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From: David Beck [davidb@self-help.org]

Sent: Wednesday, July 05, 2000 7:17 PM

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Subject: Comments on Parity Act ANPR Docket No. 2000-34

Please accept the attached document as Self-Help's and the Coalition for Responsible Lending regarding the OTS ANPR on the Parity Act. Docket No. 2000-34. Since many of the attachments are not transmittable by email, this comment, including attachments, has also been faxed to OTS at: (202) 906-6956.

If you have any questions please do not hesitate to contact me by email or at the number below.

Sincerely,

David Beck

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July 5, 2000

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Attn: Docket No. 2000-34

Dear Office of Thrift Supervision:

On behalf of the Coalition for Responsible Lending (CRL), an organization with members representing over three million North Carolinians, we would respectfully like to comment on OTS' Responsible Alternative Mortgage Lending rulemaking, Docket No. 2000-34. **First, CRL recommends that OTS promulgate regulations to prevent federal thrifts from engaging in predatory lending practices.** CRL believes predatory lending practices not only harm low-income and minority homeowners, but also impair the safety and soundness of institutions engaging in these practices. Since traditional federal thrifts are beginning to be active players in the subprime market, now is the appropriate time for OTS to set the appropriate standards of conduct through regulation.

Second, CRL recommends that OTS revise its Alternative Mortgage Transaction Parity Act (the "Parity Act") regulation[1] to remove prepayment penalties and late fees from the list of applicable regulations. This revision would enable individual states to better regulate non-depository state housing creditors (primarily finance companies). Under current regulation, these state housing creditors are able to preempt state law restrictions on prepayment penalties and late fees by structuring loans as alternative mortgages (either adjustable rate mortgages or mortgages with balloon payments). These lenders are thus able to take advantage of federal preemption without any corresponding obligation to submit to agency regulation. This obscure provision has cost thousands of homeowners the equity in their homes, and it should be revised.

Finally, the OTS should recommend to Congress that it repeal the Parity Act. In the midst of the high interest rate environment of the early 1980's, the Parity Act was passed to enable state-chartered lenders to offer the same types of creative products that federal thrifts offered. In the severe credit crunch, many state usury laws limited the types of mortgage products offered, thereby limiting mortgage credit in some areas.

[1] 12 CFR 560.220.

The mortgage lending market has changed dramatically over the last twenty years. Alternative mortgages are commonly accepted in the marketplace, and lenders are much more sophisticated and have many more options available to manage asset-liability problems associated with mortgage lending. Therefore, the Parity Act is no longer necessary to ensure the adequate supply of mortgage credit to American homebuyers. Not only is the Parity Act no longer necessary, it is now harmful to state efforts to restrict deceptive terms, such as balloon payments, on high cost loans.

I. Background on Predatory Lending

A. Coalition for Responsible Lending (CRL) and Self-Help

CRL is an organization representing over three million North Carolinians through eighty organizations, as well as the CEOs of 120 financial institutions. In 1999, it spearheaded an effort that resulted in the overwhelming passage of the NC predatory mortgage law. The bill was supported by associations representing the state's large banks, community banks, mortgage bankers, credit unions, mortgage brokers and Realtors, as well as the NAACP, consumer, and community development/housing groups. Self-Help is a community development financial institution that creates ownership opportunities for low-wealth families through home and small business ownership. It has provided $700 million in financing to help almost 11,000 low-wealth borrowers buy homes, build businesses and strengthen community resources. Self-Help's assets are $550 million and our losses have been well under 0.5% each year.

Self-Help has over fifteen years of experience in making loans to individuals with credit blemishes. Our borrowers are unable to obtain financing from traditional lending institutions such as thrifts. Utilizing risk-based pricing, Self-Help has been able to extend credit to families excluded from the conventional market. Our experience indicates that the risks of lending to persons with impaired credit can be managed prudently, enabling us to provide a service to low-wealth families without charging exorbitant fees and interest rates.

B. Epidemic of Predatory Lending

Homeownership not only supplies families with shelter, it also provides a way to build wealth and economic security. Unfortunately, too many American homeowners are losing their homes, as well as the wealth they spent a lifetime building, because of harmful home equity lending practices. Some lenders target elderly and other vulnerable consumers (often poor or uneducated) and use an array of practices to strip the equity from their homes. Although a small percentage of mortgage brokers and lenders are responsible for these practices, the problem is large and growing.[2]

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[2] See Panels I to III at May 24, 2000 House Banking Committee Hearings: http://www.house.gov/banking/52400toc.htm; Unequal Burden: Income and Racial Disparities in Subprime Lending in America, Department of Housing and Urban Development, April 12, 2000; National Training and Information Center, Preying on Neighborhoods: Subprime Mortgage Lenders and Chicagoland Foreclosure (September 21, 1999); Daniel Immergluck & Marti Wiles, Two Steps Back: The Dual Mortgage Market, Predatory Lending, and the Undoing of Community Development (The Woodstock Institute 1999). See also *New York Times* Special Report by Diana Henriques with Lowell Bergman:

Through courthouse research, CRL estimates that ten percent of all Habitat for Humanity borrowers between 1987 and 1993 in North Carolina have refinanced their zero percent interest Habitat loans with finance companies that charged them 10-16% interest and several points in up-front fees. Some of the nation's largest subprime lenders, such as Ameriquest, EquiCredit, Option One Mortgage, the Money Store, and the Associates, have been involved in the refinancing of these Habitat loans.

Predatory lending practices often translate into quick profits in the short-term, making predatory lending a tempting line of business. While these practices were once limited to a few unscrupulous lenders, CRL believes that mainstream lending institutions, such as banks, thrifts, and their affiliates, are feeling increasing pressure to engage in these practices in order to compete in the fiercely-competitive financial services sector. Thrifts have already become active in the subprime (but not necessarily predatory) lending market; for instance, Downey Savings and Loan Association (a top 10 thrift mortgage originator) has been involved in the subprime market since 1996.[3] Washington Mutual, the nation's largest thrift, has acquired Long Beach Financial, the fourteenth largest subprime lender in country.[4]

In addition, many finance companies engaged in subprime lending have applied to OTS to obtain thrift charters.[5] GMAC Mortgage, which has a large subprime affiliate, recently received a thrift charter; according to an industry analyst, this move enables GMAC to use federal law to preempt state laws on subprime lending.[6] First Tennessee National recently secured a thrift charter (First Horizon) to house its subprime lending activities.[7]

The Travelers Group, which received a thrift charter in 1997,[8] has been actively engaged in subprime lending activities through Commercial Credit (now CitiFinancial).[9] Both Commercial Credit and Travelers Bank and Trust refinanced Habitat borrowers in North Carolina. American General Finance, which received its charter in 1999 and has

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MORTGAGED LIVES: A SPECIAL REPORT: Profiting From Fine Print With Wall Street's Help, March 15, 2000, Section 1, page 1 (companion piece ran on ABC's 20/20 the same night).

[3] 'A' Market Lenders Put Their Stamp on Subprime Mortgage Product Line, *Inside Mortgage Finance*, June 19, 1998.

[4] See Joshua Brockman, Thrifts Urged to Make Use of Commercial Openings, July 28, 1999.

[5] Subprime lenders or finance companies such as the Associates, Conseco/GreenTree, Lehman Brothers (underwriter of Delta Funding loans), Travelers (now Citigroup), Transamerica and American General have all applied to receive a federal thrift charter. See Inner City Press Bank Beat, June 28, 1999 and May 30, 2000.

[6] GMAC Mortgage Eyes Broader Product Range, More Diverse Funding in Conversion to Thrift, *Inside Mortgage Finance*, April 28, 2000 (citing Moody's industry analyst).

[7] In Brief: First Tennessee to Use Federal Thrift Charter, *American Banker*, August 24, 1999; 'Mainstream' Lenders Now Hold Huge Stake in Subprime Mortgage Market, *Inside Mortgage Finance*, September 21, 1999.

[8] See OTS Press Release, November 24, 1997.

[9] Heather Timmons, Activists Spar with Conseco Over Thrift Charter, CRA Obligation, *American Banker*, March 22, 1999.

been active in the subprime lending market, also refinanced a Habitat borrower in North Carolina.

Conseco, a financial conglomerate that owns Green Tree (the 5th largest subprime lender), has applied for a thrift charter from OTS. A consumer advocacy group, Inner City Press, has been contesting that application, claiming that Green Tree engages in activities that "gouge and destabilize many low-income communities of color."[10] CRL has identified several loans originated by Green Tree that contain practices we believe are predatory.[11] For instance, Green Tree originated a loan in North Carolina that contained financed, up-front credit insurance equal to 20% of the amount of the loan.[12] In addition, it is our understanding that the Associates has applied to the OTS for a thrift charter. The Associates has been the subject of numerous news reports accusing it of egregious predatory lending practices, such as the CBS New report that interviewed a man who the Associates had "flipped" three times in 15 months, with the result that one-third of his $26,000 loan amount consisted of fees and unnecessary financed credit insurance.[13]

C. Safety and Soundness Threatened by Predatory Practices

Although predatory practices often generate short-term profits by depleting the wealth of unsophisticated homeowners, these practices ultimately impair the safety and soundness of institutions engaged in predatory lending. When borrowers have equity stripped away, their loans are at significant risk of default and the actual collateral value may often be less than the loan amount. The fruits of predatory lending can be seen in the recent wave of financial trouble experienced by some subprime lenders. First Alliance recently declared bankruptcy following a New York Times investigation into its predatory lending practices.[14] Two recent bank failures that could cost $1 billion were caused in part by unsound subprime loans, according to the FDIC.[15] In addition, ContiMortgage, the 11th largest subprime lender,[16] declared bankruptcy last month.[17] In 1999, three large subprime lenders -- United Companies Financial, Firstplus Financial and Southern Pacific Funding -- declared bankruptcy.[18] Industry publications report that Aames Financial, another top 20 subprime lender, is experiencing financial trouble.[19]

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[10] Id.

[11] See attached summary of two Green Tree loans.

[12] See Section II.A.2 infra..

[13] CBS Evening News – Eye on America, March 16, 1998.

[14] Diana B. Henriques, Troubled Lender Seeks Protection, *New York Times*, March 24, 2000.

[15] Kevin Guerrero, Will Subprime Definition Mean Capital Rules, *American Banker*, June 5, 2000 (failure of BestBank of Boulder and First National Bank of Keystone, W.Va. could cost FDIC insurance fund $1 billion).

[16] Top 25 B&C Lenders in 1999, *Inside B&C Lending*, February 14, 2000.

[17] "ContiFinancial Corp., a New York-based subprime mortgage lender, has filed for protection under Chapter 11 of the Federal bankruptcy laws." *American BankerOnline*, May 19, 2000.

[18] 'Mainstream' Lenders Now Hold Huge Stake in Subprime Mortgage Market, *Inside Mortgage Finance*, September 21, 1999. Firstplus Financial has been sued by its shareholders, claiming, inter alia, that a Firstplus subsidiary routinely inflated appraisals and refinanced delinquent borrowers in order to boost originations. Miriam Leuchter, A comet falls, an industry shifts, *US Banker*, August 1999.

[19] Robert Julavits, Like Its Loans, L.A.'s Aames Is Subprime, *American Banker*, June 8, 2000 (citing Fitch ratings analyst saying that Aames would have filed for bankruptcy but for a recent capital infusion). See also, *Inside B&C Lending*, January 31, 2000.

D. North Carolina's Predatory Lending Law

Last summer, North Carolina passed landmark state legislation to limit predatory lending practices. This legislation had broad support by both mainstream financial institutions and consumer groups. While based on the structure of HOEPA, the North Carolina law attempts to address some of the predatory practices that have emerged as pervasive practices over recent years. In particular, the NC law: 1) prevents the collection of prepayment penalties on home loans of less than $150,000 (previously, NC law prohibited prepayment penalties on home loans of less than $100,000); 2) prevents the financing of lump-sum credit insurance premiums on all home loans, 3) prevents the practice of "flipping" or the making of home loans with no net, tangible benefit to the borrower, and 4) implements additional protections for high-cost home loans, those that charge more than five points or 10% over comparable treasury rates.

North Carolina is not alone. Several other states, such as California,[20] South Carolina,[21] Missouri,[22] Illinois,[23] Minnesota,[24] Massachusetts,[25] Maryland,[26] and West Virginia[27] have proposed legislation to address predatory lending. The state of New York has proposed regulations to address predatory lending. The City of Chicago has also recently proposed anti-predatory lending ordinances. These efforts have helped clarify the concept of predatory lending and refine strategies to limit these practices without unduly restricting credit to subprime borrowers.

These legislative efforts, however, are limited by the specter and reality of federal preemption of state consumer protection laws. First, the Alternative Mortgage Transaction Parity Act (discussed in Section IV below), enables state-chartered housing creditors to structure loans to avoid certain provisions of state consumer protection statutes. Second, since state laws have limited impact on federally-regulated institutions (e.g. federal thrifts, national banks, and federal credit unions),[28] some states have passed laws to give state-chartered institutions parity with federal institutions.[29] Thus, federal laws and regulations provide the standard by which all other institutions are measured.

II. Subprime and High-Cost Lending Regulations

[20] California Senate Bill 2128.
[21] South Carolina Senate Bill 996.
[22] Missouri Senate Bill 766, House Bill 2096.
[23] Illinois House Bill 3007.
[24] Minnesota H.F. 2866.
[25] Massachusetts Senate Bill 2202.
[26] Maryland House Bill 1196.
[27] West Virginia Senate Bill 392
[28] GAO report B-284372, to House Banking Committee Chairman James Leach, on Role of OTS and OCC in the Preemption of State Law, February 7, 2000.
[29] See e.g., Fla. Stat. Ann. § 655.061 (West Supp. 2000), Ga. Code Ann. § 7-1-61(a)(1) (1997), Haw. Rev. Stat. Ann. § 412:7-201 (Michie 1997), Mo. Ann. Stat. § 369.144 (West 1997), N.C. Gen. Stat. § 54B-195, N.C. Gen. Stat. § 54C-145, Or. Rev. Stat. § 722.204 (1989)

Against this backdrop, CRL recommends that OTS implement a high-cost home loan regulation to protect the safety and soundness of federal thrifts engaging in subprime lending and to prevent harm to unsophisticated borrowers.[30] Although federal thrifts have not played a substantial role in predatory lending practices, it is important for OTS to be proactive in defining permissible practices before thrifts succumb to the temptations of quick profits or finance companies convert to thrift charters.

This high cost home loan regulation could take a variety of forms. CRL would recommend that the regulation specifically ban certain practices for high-cost home loans.[31] If, however, OTS believes banning practices would unduly restrict credit, CRL recommends that OTS require additional risk-based capital for loans with these characteristics.

A. Subprime Home Loan Regulation

CRL believes an appropriate federal regulation on subprime home loans would be based on the following three principles:

1. *No subprime home loan should contain a prepayment penalty.* OTS should revise the current OTS regulation that permits federal thrifts to impose prepayment penalties in all cases[32] to prohibit prepayment penalties for subprime loans (defined as loans having an interest rate greater than conventional loans).

   Prepayment penalties trap borrowers in high-rate loans, which too often leads to foreclosure. The subprime sector serves an important role for borrowers who encounter temporary credit problems that keep them from receiving low-rate conventional loans. This sector should provide borrowers a bridge to conventional financing as soon as the borrower is ready to make the transition. High interest rate loans become abusive, however, when they prevent borrowers from escaping once credit improves, which is precisely what prepayment penalties are designed to do. Prepayment penalties either trap borrowers into continuing to pay more each month than available alternatives, or they strip borrower equity as punishment for obtaining a better deal. People simply should not be penalized for trying to get out of debt.

   Prepayment penalties are the "glue" that enables broker-based racial steering. Lenders will pay a "premium" to mortgage brokers who sell unsuspecting borrowers higher-than-justified interest rates on loans, but only if they can lock the borrowers

[30] OTS has plenary authority to regulate thrifts under HOLA. See 12 CFR 560.2(a) (OTS authority to promulgate regulations when deemed appropriate to enable federal thrifts to conduct their operations in accordance with the best practices of thrift institutions) and 12 USC 1463(a) (OTS Director has authority to regulate thrifts).

[31] CRL does not believe that the OTS should identify this anti-predatory lending substantive regulation as an "applicable regulation" for alternative mortgages originated by state housing creditors under the Parity Act (see Section III below). This is because if the OTS rule is stronger than a state rule, the unregulated institution would choose to be regulated by the state, and the OTS rule would not have had any impact on that institution. If, on the other hand, the state rule is stronger than the OTS rule, the creditor could choose to follow the federal regime and preempt that state law, as occurs at present with prepayment penalty laws.

[32] 12 CFR 560.34.

into the loans through prepayment penalties long enough to recover the premium. Brokers obtain high yield-spread premiums (a fee rebated to the broker by the lender in exchange for the lender receiving a higher interest rate than the borrower otherwise qualifies for). The lender will only pay these excessive YSP fees if it is sure that the same broker will not quickly "flip" the borrower into another loan with another lender to receive additional fees. The lender ensures that this does not happen by making it uneconomic for the borrower to escape the loan through requiring the prepayment penalty.

Steering occurs when families are systematically placed in higher-cost loans than they qualify for, often based on race. According to Fannie Mae, about half of all subprime borrowers could qualify for lower cost conventional financing.[33] Recent studies have shown that minority borrowers are most commonly steered into high-rate and fee subprime loans when they in fact qualify for lower cost loans.[34] A recent HUD study found that higher-cost subprime loans are five times more likely in black neighborhoods than in white neighborhoods, accounting for 51% of home loans in predominantly black neighborhoods in 1998 compared with 9% in white areas. According to the study, even high-income minority areas are disproportionately served by subprime rather than conventional lenders.

And borrowers in predominantly African American neighborhoods are over **five times** more likely to be subject to a prepayment penalty than borrowers in white neighborhoods.[35] The marketplace will help enforce fair lending principles and police steering if borrowers can get out of bad loans as soon as they realize they are harmed, but prepayment penalties prevent this from happening.

Borrower choice cannot explain the prevalence of prepayment penalties. Subprime lenders claim that borrowers voluntarily choose prepayment penalties to reduce their interest rates. Borrower choice cannot explain, however, why 80% of

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[33] See Fannie Mae press release at page four: http://www.fanniemae.com/news/pressreleases/0667.html

[34] HUD, Unequal Burden: Income and Racial Disparities in Subprime Lending in America (April 12, 2000) (subprime loans are five times more likely in black neighborhoods than in white neighborhoods); Daniel Immergluck & Marti Wiles, Two Steps Back: The Dual Mortgage Market, Predatory Lending, and the Undoing of Community Development (The Woodstock Institute 1999); Fred Faust, Acorn blasts Number of Sub-Par Loans Made in St. Louis Area, *St. Louis Post-Dispatch*, October 22, 1999, at C8; National Training and Information Center, Preying on Neighborhoods: Subprime Mortgage Lenders and Chicagoland Foreclosure (September 21, 1999); Bruce Lambert, Analysis Shows Racial Bias In Lending, Schumer Says, *New York Times*, April 9, 2000, Section 1, Page 35.

[35] 51% of borrowers in predominantly African American neighborhoods have subprime loans times 80% who have prepayment penalties (see footnote 36) equals 41% have prepayment penalties. 49% of borrowers in African American neighborhoods have prime loans times 1.5% have prepayment penalties (see footnote 37) equals 1%. 41% plus 1% equals 42% of borrowers in African American neighborhoods have prepayment penalties. 9% of borrowers in white neighborhoods have subprime loans times 80% equals 7% have prepayment penalties. 91% of borrowers in white neighborhoods have prime loans times 1.5% have prepayment penalties equals 1%. 7% plus 1% equals 8% of borrowers in white neighborhoods who have prepayment penalties. 42% is 5.25 times greater than 8%. This calculation assumes that, within the subprime universe, loans to African Americans have prepayment penalties at the same rate that white borrowers do. While this assumption bears further research, CRL estimates that the African American percentage would actually be higher.

subprime loans currently charge prepayment penalties,[36] while only 1% to 2% of conventional loans do.[37] The real reason for the discrepancy is that conventional mortgage markets are competitive and sophisticated borrowers have the bargaining power to avoid these fees; borrowers in subprime markets often lack sophistication or are desperate for funds and simply accept the penalty that lenders insist that they take.

The competitive conventional mortgage market provides a test for people's true preferences for a prepayment penalty in exchange for a lower rate. Rational subprime borrowers with market power should prefer them no more often, and probably less often, than conventional borrowers since assumedly they would prefer to refinance into a conventional loan as soon as credit improves, not when a lock-out period happens to expire. To permit prepayment penalties on subprime loans, then, is to protect the right of 1% - 2% of sophisticated subprime borrowers who would affirmatively choose them at the expense of 78% who would not. As a result of having been assigned such a penalty, this group becomes trapped in higher rate loans, or refinances only to have their equity stripped away.

At minimum, the OTS should prohibit prepayment penalties on loans with interest rates greater than conventional where there is a yield-spread premium or a back-end fee is paid to a broker. This rule would eliminate a number of the steering and YSP abuses. An alternative limiting rule would be to prohibit prepayment penalties only on refinance loans that have interest rates greater than conventional.

2. *No home loan should contain up-front, lump-sum credit insurance premiums that are financed into the loan.* One type of credit insurance, credit life, is a loan product paid for by the borrower that repays the lender should the borrower die. While credit insurance may be useful when paid for on a monthly basis, when it is paid for up-front it does nothing more than strip equity from homeowners. The total premiums for generally a five-year period are added to the amount of the loan. The borrower then pays interest on this amount for the life of the loan and hasn't even begun reducing principal by the time the five-year period expires. When the borrower moves or refinances away from a subprime loan after five years, the up-front payment, which no longer protects the loan, is stripped directly out of the borrower's home equity. Conventional loans almost never include, much less finance, credit insurance.

The attached spreadsheet considers a loan with a $10,000 credit insurance premium financed in the loan, an amount that is not uncommon. Such a loan on average is paid off by the borrower at year five, at which time virtually all payments have been applied to interest; 99% of the upfront credit insurance premium remains outstanding. Thus, when the loan is paid off at year five, the borrower pays the full

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[36] Currently, Duff and Phelps estimates that upwards of 80% of the mortgages in the portfolios they rate contain prepayment penalties. (Polly Guthrie, CRL, telephone conversation with Abner Figueroa, Duff and Phelps; for 1999 Duff and Phelps rated 37% of all private label MBS/CMO ($38.4 billion of $92.2 billion)).

[37] Only 0.5% of Freddie Mac's home loan purchases and less than 2% of Fannie Mae's purchases carry prepayment penalties. "Freddie offers a new A-, prepay-penalty program," *Mortgage Marketplace*, May 24, 1999; Joshua Brockman, "Fannie revamps prepayment-penalty bonds," *American Banker*, July 20, 1999.

amount of the upfront premium with equity that is stripped directly out of the home. Both Fannie Mae and Freddie Mac have announced that they will not purchase any loans that include financed, lump-sum credit insurance policies because they agree that it is an inherently abusive practice.[38]

CRL has identified borrowers in North Carolina whose financed credit insurance premiums amounted to 20% of the original loan balance.[39] NC's predatory lending law banned financed credit insurance for all home loans. CRL estimates this single prohibition will, each year, save homeowners $100 million of needlessly lost equity.[40]

We emphasize that we do not propose banning credit insurance, but merely the financing of this insurance directly or indirectly in connection with a home loan. Homeowners could still purchase this protection on a monthly outstanding basis, much like car insurance or an electric bill.

Any such regulation should not rely on disclosure of financed credit insurance as a substitution for its prohibition. The North Carolina law deliberately does not impose or rely upon additional disclosures to consumers. The closing of a mortgage loan is already a blizzard of paperwork that is quickly pushed past the borrower. Additional disclosures are just more snowflakes in the storm and provide no aid to consumers. Moreover, disclosures become a refuge and defense for lenders who point to language in one of the literally dozens of documents signed by the borrower. For instance, even though the borrower may never be told about onerous provisions of the loan, such as an exorbitantly priced credit insurance policy, and the terms are contrary to what the borrower reasonably expected, the lender will claim that the terms are permissible because they were disclosed somewhere in the many loan papers.

Additionally, the credit insurance policies, even those calculated and paid on a monthly basis, should be sold only after the loan is closed, not when the loan closes. This helps make clear to the borrower that the insurance is not required, a pressure tactic often used by unscrupulous lenders. According to an industry-funded study that

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[38] See http://www.freddiemac.com/news/archives2000/predatory.htm and http://www.fanniemae.com/news/speeches/speech_116.html

[39] For example, one borrower's original loan amount was $58,807 with financed credit life, disability and unemployment insurance of $11,630 (19.8% of original loan amount). It is worth noting that this insurance premium only covered 8 years of the 15 year balloon loan.

[40] In North Carolina for calendar year 1997, according to the National Association of Insurance Commissioners, $204,814,627 in credit insurance policies for credit life and credit disability/accident and health insurance were written. Because of data limitations, this amount does not include credit property or credit unemployment insurance, which are both significant credit insurance products sold in the state. The best industry and regulatory estimates are that virtually all of this amount is financed single-premium credit insurance and that half of this amount is for mortgages, while the other half is written in connection with consumer debt. Half of the total amount is $102 million in single-premium credit insurance policies written in connection with mortgages each year. Since, as shown in the attached amortization tables, 99% of the original balance of single premiums remains after its average life of five years, then 99% of $102 million, or $101 million, is stripped out of the home equity of North Carolina families.

considered consumer loans, which have much less paperwork to confuse borrowers than home loans, almost 40% of borrowers either did not know they had received credit insurance or thought that credit insurance was required or strongly recommended by their creditor.[41]

Finally, CRL believes OTS should treat debt cancellation agreements and debt suspension agreements or contracts in the same manner as financed single-premium credit insurance. These debt cancellation agreements are the functional equivalent of credit insurance and to treat them differently would elevate form over function and provide a loophole to allow the stripping of borrower equity.

3. *For subprime loans that exceed HOEPA thresholds, OTS should implement additional protections to ensure that these loans are not designed to be deceptive, wealth-depleting loans.* As highlighted earlier, these deceptive high-cost loans pose substantial safety and soundness risk to lenders engaged in this activity; therefore, it is in the public's best interest to carefully regulate the terms of these high cost loans.

High-cost loans should not contain a balloon payment. Balloon payments are a widespread predatory lending abuse to entice borrowers into a loan and then pressure the borrower to refinance the loan. Unscrupulous lenders structure loans so that the monthly payments cover interest only, or just a small amount of the principal. This means that at the specified time, such as 15 years, or at the end of the loan term, the borrower faces a lump sum payment equal to most or all of the amount originally borrowed. Borrowers rarely understand these terms nor, in many cases, does the lender explain that the loan is structured in this way. By using a balloon loan, the lender can present lower monthly payments to a borrower who expects that his payments are paying off the loan over its term. Often, these lenders go back to borrowers later and inform them of the balloon payment that will be due. This is then used as a reason to refinance the loan and impose new points and fees with the refinancing.

High-cost loans should not contain provisions allowing the financing of fees into the loan amount. The primary method of equity-stripping is through the financing of large, upfront fees into the mortgage loan. While most conventional borrowers are charged 1% for loan origination,[42] many subprime borrowers are charged over 5% in upfront fees, and CRL has identified cases of borrowers being charged over 20% of the amount of the loan in these fees. In order to prevent the practice of loading fees into high-cost home loans, the OTS should not allow thrifts to finance fees into a high-cost mortgage loan. Unsophisticated borrowers accept excessively high fees because they do not pay the fees in cash at closing, but rather

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[41] Credit Insurance: Rhetoric and Reality, Credit Research Center, Krannert Graduate School of Management, Purdue University, 1994 (pp 1-1, 1-3).

[42] Peter Mahony, Associate General Counsel of Freddie Mac, reports that total points and fees for conventional loans has decreased from 1.6% in 1993 to 1.1% in 1999. Fannie Mae conference, "The Role of Automated Underwriting in Expanding Minority Home Ownership," Airlie Center, Warrenton, Virginia, June 8, 2000.

pay them later, when the mortgage pays off; they don't realize that part of their house has in effect been taken from them at the time the fees were financed.

High-cost loan borrowers should receive loan counseling by a HUD-approved homeownership counselor before the closing of a high-cost loan. Given that a significant number of subprime borrowers would qualify for conventional financing and the prevalence of predatory lending practices, CRL believes that individual borrowers seeking a high-cost loan should have their loan reviewed by a neutral, trained counselor. This requirement would discourage subprime lenders from attempting to take advantage of unsophisticated borrowers. CRL believes this counseling should be mandatory, as it is for reverse mortgages in many states.

High-cost loans should not be subject to mandatory arbitration. Increasingly, lenders are placing mandatory arbitration clauses in their loan contracts. Often, these clauses contain anti-consumer provisions that limit the consumer's remedies, prohibit class actions, or designate a pro-lender arbitrator. Arbitration can also involve costly fees or be required to take place at a distant site.

B. Regulation to Prevent Steering

OTS should require thrifts, their affiliates, and subsidiaries to "upstream" potential borrowers to the lowest-cost products offered by their related entities. This requirement is necessary to prevent lenders from "steering" borrowers into higher fee and interest rate loans than they qualify for. According to Fannie Mae, about half of all subprime borrowers could qualify for lower cost conventional financing.[43] Recent studies have shown that minority borrowers are most commonly steered into high-rate and fee subprime loans when they in fact qualify for lower cost subprime or even conventional loans.[44] Such racial targeting violates fair lending principles.

C. Alternative Approaches to Subprime and High-Cost Lending Regulations

CRL believes the subprime and high-cost lending regulations discussed above provide the most protection for the safety and soundness of federal thrifts by preventing thrift involvement in the most egregious predatory lending practices. If, however, the OTS believes that these practices promote healthy lending activities for thrifts, CRL suggests that OTS require institutions engaging in these practices to hold more capital to offset the inherent risk in these lending activities. Given that financial stress associated with predatory lending practices do not emerge until a few years after the original lending, it is critical that federally-regulated institutions maintain the capital necessary to weather catastrophic losses associated with the worst of these practices.

In addition, federal thrifts should conduct due diligence on loans it facilitates to ensure that those loans do not violate any substantive consumer protections, such as HOEPA or fair lending laws.

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[43] See Fannie Mae press release at page four: http://www.fanniemae.com/news/pressreleases/0667.html. See also "Half of Subprime Loans Categorized as 'A' Quality," Inside B&C Lending, June 10, 1996.
[44] See infra note 2.

At a minimum, thrifts should receive unfavorable CRA consideration for the origination, purchase or facilitation of loans with harmful characteristics. CRA compliance is a blunt tool to address safety and soundness concerns, but loans with abusive terms (such as subprime loans with prepayment penalties, financed credit insurance or debt cancellation/suspension agreements, and fees greater than 3% of the loan amount as defined by HOEPA) run counter to the financial needs of the community. Hopefully, the specter of an unfavorable CRA rating would discourage thrifts from engaging in these abusive practices

In its CRA review, OTS should consider not only the origination of loans with these characteristics, but other financing activities conducted by thrifts that facilitate these practices, such as providing warehouse lines of credit to predatory lenders or underwriting, marketing, or acting as trustee for securities backed by these loans. Finally, OTS should consider activities of thrift affiliates when evaluating CRA performance. Since a lender has significant leeway in deciding which corporate entity performs which functions, CRA review of affiliated parties is essential to prevent abusive lending practices. From the perspective of the community in which the institution is lending, which affiliate is doing the lending is irrelevant. Therefore, all actors under the same corporate umbrella should be considered.

CRL believes an OTS regulation should have substantive protections for consumers, as opposed to relying on disclosure requirements. In the blizzard of paperwork for a mortgage closing, many borrowers are not able to adequately understand the import of various disclosures. Given that fully 23% of adults in this country are functionally illiterate,[45] disclosure has not and will not be effective in stemming predatory lending practices.

Finally, CRL believes that OTS should control predatory practices through regulation, rather than through supervision or voluntary adherence to industry "best practices." Although best practices or individual supervisory guidance would be helpful, many lenders will not voluntarily give up legal practices that earn significant short-term profits. Regulation is superior to these other methods because it would have more uniform application in the market and would be transparent to thrifts and consumers alike. At the same time, the regulatory approach maintains more flexibility than new legislation, enabling OTS to tailor its approach over time.

III. Parity Act

The Alternative Mortgage Transaction Parity Act (the "Parity Act") was passed in a time of crisis in the mortgage industry. Sky-rocketing interest rates made homeownership unattainable for many Americans while thrifts were losing money due to the cost of deposits exceeding the yield on fixed rate assets. While federal thrifts had attempted to address the need for affordable mortgage credit and asset-liability matching through adjustable-rate mortgages and other innovative products, state housing creditors were hamstrung by various antiquated state laws prohibiting alternative mortgage

[45] "National Adult Literacy Survey," National Center for Education Statistics, 1992.

products. In order to increase the availability of mortgage credit in these states and protect the safety and soundness of state-chartered thrifts, Congress passed the Parity Act, enabling state housing creditors to make the same types of loans as federal thrifts.

CRL believes OTS' role under the Parity Act is to identify which thrift regulations apply specifically to mortgage loans with alternative structures (the 1982 Bank Board's approach). Therefore, since the provisions relating to prepayment penalties and late fees apply to all mortgage loans generally, CRL believes these provisions should be removed from the list of regulations applicable to state housing creditors. Certainly, time has demonstrated that allowing unregulated, non-depository institutions to piggyback on federal thrift preemption has inadvertently facilitated predatory lending practices.

A. Legislative History

In 1982, Congress enacted the Parity Act to eliminate discrimination between federally chartered depository institutions (such as federal thrifts) and state housing creditors (such as state-chartered thrifts and non-depository lenders) concerning alternative mortgage transactions.[46] Alternative mortgage transactions are those transactions where:

- the interest rate may be adjusted (an adjustable rate mortgage);[47]
- the interest rate is fixed, but the debt matures before the term of the amortization schedule (a balloon mortgage);[48] or
- the terms of the loan were not similar to traditional fixed-rate, fixed term mortgages (e.g. reverse mortgage, negative amortization mortgage, graduated payment mortgage).[49]

In the midst of the high interest rate environment of the early 1980's, Congress found that alternative mortgage transactions were essential to providing adequate mortgage capital[50] and that federal regulators had adopted regulations permitting federal depository institutions to engage in these transactions.[51] However, many states did not permit "alternative" transactions, thus Congress enacted the Parity Act to give state-chartered institutions (depository and non-depository) parity with federal depository institutions to make such mortgages.[52] If a state housing creditor followed this alternative federal scheme, it could enforce alternative mortgage transactions "notwithstanding any State constitution, law, or regulation."[53]

In the legislative history, the Senate clarified that the Parity Act "does not place non-federally chartered housing creditors under supervision of the federal agencies, but

[46] 12 U.S.C. 3801(b).
[47] 12 U.S.C. 3802(1)(A).
[48] 12 U.S.C. 3802(1)(B).
[49] 12 U.S.C. 3802(1)(C).
[50] 12 U.S.C. 3801(a)(2).
[51] 12 U.S.C. 3801(a)(3).
[52] 12 U.S.C. 3801(b).
[53] 12 U.S.C. 3803(c).

instead merely enables them to follow a federal program as an alternative to state law."[54] Thus, state housing creditors were given the option of following state law relating to these alternative mortgage transactions or complying with the federal scheme for these transactions.

The federal program followed traditional divisions among federal regulators. Congress identified that state-chartered banks should follow OCC regulations,[55] state-chartered credit unions should follow NCUA regulations,[56] and all other housing creditors (including state-chartered thrifts and state-chartered non-depository institutions) should follow FHLBB (now OTS) regulations.[57] In order to ensure parity, Congress made it clear that FHLBB regulations on alternative mortgage transactions relating to state housing creditors were valid only to the extent that such regulations were authorized by independent rulemaking authority FHLBB had with regard to federal thrifts.[58] Congress then instructed FHLBB to "identify, describe and publish" regulatory provisions that are "inappropriate for (and thus inapplicable to)" state housing creditors;[59] in other words, FHLBB would identify which of its federal thrift regulations would also apply to state housing creditors on alternative mortgage transactions.

In May 1983, FHLBB issued a final rule regarding the Parity Act implementation.[60] FHLBB identified three regulations applicable to housing creditors:

- 545.33(c), setting forth the authority to make balloon and negative amortization loans, and to adjust interest rate, payment, term;
- 545.33(e), setting forth limitations on loan adjustments;
- 545.33(f)(4)-(11), setting forth disclosure requirements on non-fixed-rate, fully-amortized loans.[61]

Over the next thirteen years, FHLBB and OTS made a few simple technical changes to the Parity Act regulation,[62] none of which substantially revised the content.

Thus, it seems well-settled that OTS can identify regulations relating to alternative mortgage transactions and thereby make them applicable for state housing creditors desiring to take advantage of the federal alternative to state law. In this way, state housing creditors and federal thrifts would have parity as related to alternative mortgage transactions.

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[54] Report of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Report 97-463 at p. 55 (May 28, 1982).
[55] 12 U.S.C. 3803(a)(1).
[56] 12 U.S.C. 3803(a)(2).
[57] 12 U.S.C. 3803(a)(3).
[58] 12 U.S.C. 3803(a)(3).
[59] P.L. 97-320, §807(b).
[60] 48 FR 23032 (May 23, 1983).
[61] Id at 42.
[62] See, e.g. 49 FR 43040 (October 26, 1984) (inclusion of previously-overlooked §545.32(b)(3)&(4) as applicable regulations); 53 FR 18262 (May 23, 1988) (relocated the Parity Act language to a subsection of §545.33(h) and designated ARM adjustment and disclosure regulations as applicable to the Parity Act loans).

Over the past few years, OTS has interpreted its authority under the Parity Act broadly. In January 1996, OTS issued a proposed rulemaking to streamline its lending and investment regulations.[63] OTS proposed moving the the Parity Act regulation from a subsection (§545.33(f)) to its own section (§560.210) within a new alternative mortgage subpart;[64] however, OTS' proposed rewording of the regulation reflects a broad interpretation of its authority under the Parity Act. Whereas OTS had previously only identified regulations that related specifically to alternative mortgages as applicable to state housing creditors originating alternative mortgages, the January 1996 proposed regulation would have applied the entire lending and investment regulation of federal thrifts to state housing creditors for alternative mortgages.[65]

Contrast this all-inclusive regulation with FHLBB's original final rule regarding the Parity Act.[66] In its original Parity Act regulation, FHLBB stated, "those requirements applicable to mortgage lending generally (i.e. fixed-rate, fixed-term fully amortized loans as well as alternative mortgage transactions) are deemed inappropriate [and therefore inapplicable to state housing creditors] because they do not further 'describe or define' alternative mortgage transactions [...]."[67] In particular, FHLBB refused to include regulations for state housing creditors that "apply generally to mortgage loans," including regulations on length of amortization term and loan to value ratios.[68] While it is arguable (if unlikely) that OTS' January 1996 proposed regulation would have "occupied the field" for alternative mortgage lending,[69] at a minimum, the proposed rule suggested that federal regulations affecting mortgages generally might be applied to state housing creditors making alternative mortgages.

OTS followed this broad interpretation in an April 1996 General Counsel opinion letter where OTS determined that OTS regulations preempted Wisconsin's prepayment penalty regulation.[70] OTS found that the Congressional intent of the Parity Act was to create parity between federal and state housing creditors, and, since federal thrifts could impose prepayment penalties regardless of state restrictions, then state housing creditors could also impose prepayment penalties regardless of state restrictions.[71]

This opinion letter highlights two areas of expansive interpretations. First, OTS determined that state laws regarding prepayment penalties were preempted despite the fact that OTS had not specifically identified its own prepayment regulation of federal thrifts as being applicable to the Parity Act loans by state housing creditors in the 14

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[63] 61 Fed. Reg. 1,162 (January 17, 1996).
[64] 61 Fed. Reg. 1,162, 1166.
[65] 61 Fed. Reg. 1,162, 1,181 ("In accordance with 12 U.S.C. 3807(b), this part 560 and 12 CFR 563.99 are identified as appropriate and applicable to the exercise of this authority [...].")
[66] 48 Fed Reg. 23032 (May 23, 1983).
[67] 48 Fed. Reg. 23032 (in Notice to Housing Creditors discussion).
[68] Id.
[69] Given that §560.2 occupies the field vis-a-vis federal thrifts, it could be argued that the inclusion of part 560 as an applicable under the the Parity Act regulation expresses OTS intent to occupy the field for mortgage lending. Given the lack of substantive discussion in the proposed rule, it seems unlikely OTS intended such a far-reaching consequence.
[70] OTS Gen Couns Ltr, April 30, 1996.
[71] Gen. Couns. Ltr, at p. 4-5.

years since the law passed.[72] Second, the OTS prepayment penalty regulation applies to both traditional fixed-rate mortgages and alternative mortgages.[73] Although this interpretation may not conform with FHLBB's original interpretation of its mandate,[74] two federal courts have deferred to the recent OTS interpretation.[75]

In September 1996, OTS issued the final rule regarding its streamlining of lending and investment regulations.[76] This final rule revised its the Parity Act regulation to provide "greater specificity" than the January 1996 proposed rule.[77] Specifically, OTS identified the following regulations as applicable to state housing creditors for alternative mortgage transactions:

(1) 560.33, regarding late fees;
(2) 560.34, regarding prepayment penalties;
(3) 560.35, regarding loan adjustments; and
(4) 560.210, regarding ARM disclosures.[78]

This final rule clarified that OTS did not intend to either occupy the field of alternative mortgage lending or to apply federal thrift safety and soundness requirements to state housing creditors. The final rule did, for the first time, include OTS regulations applicable generally to mortgage lending (e.g. prepayment penalties and late fees) to state housing creditors on alternative mortgages transactions.

B. OTS should remove prepayment penalties and late fees from its list of applicable regulations for state housing creditors.

OTS has a difficult role in balancing congressional intent to achieve parity among housing creditors without becoming a regulator of state housing creditors. CRL believes that OTS can best achieve parity by narrowly focusing regulations applicable under the Parity Act to those that apply only to alternative mortgages.

OTS regulations are the result of a comprehensive scheme to govern federal thrifts. Thus, OTS' general regulation on prepayment penalties and late fees must be read in light of its detailed and constant supervision of federal thrifts. By making general mortgage loan regulations applicable to state housing creditors, OTS may unwittingly reduce parity between federal thrifts and non-regulated state housing creditors because state housing creditors are not subject to the same level of supervision as are thrifts. Given that most states provide little supervision over non-depository institutions, other

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[72] See Gen. Couns. Ltr., Apr 30, 1996, at p. 4, fn 12. Later in 1996, OTS issued a final rule that explicitly included prepayment penalties as an applicable regulation under the Parity Act. 61 FR 50,951, September 30, 1996.
[73] See 12 C.F.R. §560.34 ("Subject to the terms of the loan contract, a Federal savings association may impose a fee for any prepayment of a loan.")
[74] Supra notes 66 - 68 and accompanying text.
[75] National Home Equity Mortgage Association vs. Face, 64 F. Supp. 2d 584 (E.D.Va. 1999) (preempting Virginia's state law against prepayment penalties as it applied to state housing creditors) and Shinn v. Encore Mortgage Services, 2000 WL 55863 (D.N.J.).
[76] 61 Fed.Reg. 50,951 (September 30, 1996).
[77] 61 Fed.Reg. 50,951, 50,969.
[78] 61 Fed.Reg. 50,951, 50,983.

state housing creditors have a double-edged advantage of utilizing general loan structures applicable to heavily-regulated federal thrifts, without any of the controls provided by such regulation.

As discussed in Section II.A.1., prepayment penalties on subprime loans are used to trap borrowers into high-cost debt, avoid federal HOEPA protections,[79] and enable the inherently deceptive practice of yield-spread premiums. An indication of the importance of this provision is that the National Home Equity Mortgage Association, a trade association of some subprime lenders, successfully sued the state of Virginia to preempt Virginia's prepayment penalty provision under the Parity Act.[80] A federal district court similarly held that the Parity Act preempted New Jersey's prepayment penalty law.[81]

In addition, the second largest subprime lender in the country, Household Finance, has publicly stated the importance of Parity Act preemption in originating loans with prepayment penalties.[82] Household originated $13 billion in subprime loans in 1999, earning a record profit of $1.5 billion.[83] The third largest subprime lender in the country, Associates First Capital, has a standard provision in its note referencing Parity Act preemption.[84] The Associates originated $11 billion in subprime loans in 1999, making $1.49 billion in profits.[85] Another mortgage lender has taken advantage of Parity Act preemption to charge prepayment penalties that would otherwise be prohibited under North Carolina law. In an opinion letter to the lender (attached), the North Carolina Attorney General's office stated that "although NC law normally prohibits prepayment penalties under $100,000 [now $150,000] this prohibition does not apply when a loan contains a balloon payment" because the loan is an alternative mortgage under the Parity Act.

Many states, such as North Carolina, have laws in place that prohibit or limit prepayment penalties on home loans. Over one-third of all states place some limitation on prepayment penalties for home loans.[86] By removing the prepayment regulation from

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[79] Prepayment penalties are not included in the "points and fees" threshold for HOEPA. Given the problems of "flipping" and of steering borrowers into higher interest rates and fees than they in fact qualify for, prepayment penalties act as an additional origination fee for lenders. Thus, a lender wanting to maximize short-term profits would charge fees up to the HOEPA threshold and institute a prepayment penalty. See George Wallace's testimony at House Banking Committee hearings on predatory lending practices on behalf of American Financial Services Association: "Without prepayment penalties, the lender who made the original loan is likely to be unable to recover the cost of originating a loan before the borrower prepays." May 24, 2000. See http://www.house.gov/banking/52400wit.htm

[80] See infra note 75.

[81] Id.

[82] "Prepayment Penalties Prove Their Merit for Subprime and 'A' Market Lenders," *Inside Mortgage Finance*, May 21, 1999 (quoting Michael Forester).

[83] Top 25 B&C Lenders in 1999, *Inside B&C Lending*, February 14, 2000.

[84] See attached note from the Associates as an example.

[85] See note 83

[86] See e.g., ALA. CODE § 5-19-4 (1999), ALASKA STAT. ANN. § 45.45.010 (Lexis 1998), CONN. GEN. STAT. ANN. §§ 36a-265(c), 519 (West 1996 & Supp. 2000), D.C. CODE ANN. § 28-3301 (1996), IND. CODE ANN. §§ 28-1-13-7.1, -15-11-14, -15-11-16 (Michie 1996 & Supp. 1999), §§ 535.9 (West 1997), § 528.4 (West 1993), LA. REV. STAT. ANN. § 9:3509, 32, § 9:3532, § 6:1097, § 6:1224 (West Supp. 2000), ME. REV. STAT. ANN. tit. 9-A, § 9-308 (West 1997), MASS. ANN. LAWS ch. 140, § 90A (Law. Co-op. 1995), ch. 183,

the list of applicable regulations, OTS will enable individual states to better regulate state-chartered housing creditors. Housing creditors will still be able to originate alternative mortgages; however, they will not be able to avoid one key area of state consumer protection.

CRL does not believe that the late fee provision is abused to the same extent as the prepayment penalty provision; however CRL believes OTS should remove it from the list of applicable regulations under the Parity Act because of its potential for abuse. While many states, such as North Carolina, have limitations on the amount of late fees,[87] usually in the range of 4%-5% of the payment amount, the federal thrift regulation on late fees does not cap the amount of the late fee.[88]

C. The OTS should recommend that Congress repeal the Parity Act.

The mortgage lending market has changed dramatically over the last twenty years. Alternative mortgages are commonly accepted in the marketplace, and lenders are much more sophisticated and have many more options available to manage asset-liability problems associated with mortgage lending. Therefore, the Parity Act is no longer necessary to ensure the adequate supply of mortgage credit to American homebuyers. Not only is the Parity Act no longer necessary, it is now harmful to state efforts to restrict deceptive terms that meet the Parity Act's definition of "alternative" mortgages, such as balloon payments, on high cost loans.

In conclusion, the Parity Act has outlived its usefulness and is no longer necessary to ensure the adequate supply of mortgage credit to American homebuyers or to protect the safety and soundness of lenders. Further, the broad preemption that unregulated, non-depository lenders are currently able to claim under the Parity Act frustrates state efforts to restrict harmful loan terms and practices. In response, CRL recommends that OTS (1) promulgate regulations to prevent federal thrifts from engaging in predatory lending practices, (2) remove prepayment penalties and late fees from the list of applicable regulations under the Parity Act, and (3) recommend to Congress that it repeal the Parity Act.

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§ 56 (Law. Co-op. 1996), MINN. STAT. ANN. § 47.20, MISS. CODE ANN. § 75-17-31, § 89-1-317 (1999), MO. ANN. STAT. § 408.036 (West Supp. 2000), NEB. REV. STAT. ANN. § 8-330 (Michie 1995), N.J. STAT. ANN. § 46:10B-2 (West 1989), N.M. STAT. Ann. § 56-8-30 (Michie 1996), N.Y. REAL PROP. LAW 49 § 254-a (McKinney 1989), N.C. GEN. STAT. § 24-1.1A(b), 41 PA. STAT. ANN. § 405 (1999), R.I. GEN. LAWS § 34-23-5 (Supp. 1999), TEX. FINANCIAL CODE ANN. § 302.102 (West Supp. 2000), VA. CODE ANN. § 6.1-330.83 (Michie 1999), W. VA. CODE § 47-6-5b (1999), WIS. STAT. ANN. § 138.051 (West Supp. 1999)

[87] See, for example, North Carolina Statutes § 24-10.1.

[88] 12 CFR 560.33.

CRL appreciates the willingness of OTS to review its regulations under the Parity Act and for soliciting public comment. Thank you for your consideration.

Sincerely,

Martin Eakes
Spokesperson, Coalition for Responsible Lending
CEO, Center for Community Self-Help (919) 956-4400

Attachments:
Summary of two Greentree borrowers and HUD 1 Settlement statements 5 pps
Credit insurance spreadsheet (also at: http://responsiblelending.org/Financing.PDF) 4 pps
Associates note (also at http://responsiblelending.org/pactcite.PDF) 1 p.
NC Attorney General Office opinion letter for mortgage lender on preemption 1 p.