



December 4, 2006

Office of the Comptroller of the Currency
250 E Street, SW
Public Reference Room
Mail Stop 1-5
Washington, DC 20219
Attn.: Docket No. 05-21

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

Robert E. Feldman
Executive Secretary
Attn: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Jennifer Johnson
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attn.: Docket No. 2005-56

Re: Proposed Illustrations of Consumer Information for Nontraditional Mortgage Products
71 FR 58672 (October 4, 2006)

Dear Sir or Madam:

America's Community Bankers (ACB)¹ is pleased to comment on the Proposed Illustrations of Consumer Information for Nontraditional Mortgage Products ("Proposed Illustrations")² issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the National Credit Union Administration (collectively, the "Agencies").

ACB Position

ACB commends the Agencies for responding to requests from various industry participants by proposing sample forms intended to deliver important information to consumers about nontraditional mortgages. These Illustrations represent optional methods by which lenders can

¹ America's Community Bankers is the member driven national trade association representing community banks that pursue progressive, entrepreneurial and service-oriented strategies to benefit their customers and communities. To learn more about ACB, visit www.AmericasCommunityBankers.com.

² 71 FR 58672 (October 4, 2006).

satisfy the consumer disclosure recommendations contained in the final Interagency Guidance on Nontraditional Mortgage Products³ (“the Guidance”). The Agencies intend for use of these Illustrations to be entirely voluntary, and the proposal allows lenders to use their own forms provided they give consumers the information suggested in the Guidance.

We believe that the forms may have utility for certain financial institutions in implementing the consumer information recommendations in the Guidance and, because use of these Illustrations would be voluntary, ACB has no objection to the Agencies publishing sample forms. However, we believe, as indicated below, that there should be a more balanced view in the Illustrations of the benefits and risks of newer, innovative mortgage products.

Additionally, we believe that there is a larger issue to be addressed regarding appropriate delivery of information and disclosure to consumers. We encourage the Agencies to examine comprehensively the effectiveness of all their mortgage disclosure requirements and forms and to implement any necessary changes with amendments to Regulation Z⁴, the regulations implementing the Truth in Lending Act⁵. ACB would be happy to involve our association and members to assist in such an endeavor.

Nevertheless, we offer a few observations and recommendations regarding the forms proposed by the Agencies below.

Recommendations

We believe that Illustration 1, which is in narrative form, is generally clear, understandable and presents useful information for consumers. Illustration 2 is more problematic. It attempts to compare a variety of mortgage products and features in chart format with hypothetical numbers inserted. We do not believe that it is realistic for the Agencies to publish a chart with current and relevant data filled in on a continuing basis. Also, we believe most consumers would not be able to decipher and absorb the quantity of information presented in this format. It is better for the consumer to focus on realistic scenarios for a few mortgage options that the consumer is actually considering, rather than on such a broad array of products and features with theoretical numbers that may not truly present a realistic picture of the mortgages. Therefore, we recommend that the sample form be left blank so that the potential borrower can have meaningful discussions with the loan originator about the possible payment streams, the effect of interest rate adjustments and the effect of the amortization schedules.

The Board of Governors of the Federal Reserve System recently published a booklet entitled *Interest-only Mortgage Payments and Payment-Option ARMs-Are They for You?* with a blank form that lenders could distribute in place of the sample Illustration 2 to potential borrowers in marketing materials, direct mail campaigns or during face-to-face meetings with consumers. It is important that the Proposed Illustrations be consistent with both the recently-issued booklet and the *Consumer Handbook On Adjustable Rate Mortgages* issued under Regulation Z, when it is revised to incorporate nontraditional mortgage products.

³ 71 FR 58609 (October 4, 2006).

⁴ 12 CFR Part 226.

⁵ 15 U.S.C. 1601 et seq.

Finally, we believe that the Illustrations may not sufficiently describe the benefits that the nontraditional mortgages offer consumers. The Illustrations indicate that the consumer's monthly payment will increase if the consumer pays only the amount that is due during the initial period. The Illustrations show worst-case scenarios and do not emphasize the potential benefits that these mortgages provide including: consumers' minimum payment will be lower during the initial period and the lower initial minimum payment gives consumers more flexibility in managing their monthly expenses. In order for consumers to make informed choices, it is important that they are told how much they would save in total monthly payments by choosing a nontraditional loan.

ACB appreciates the opportunity to comment on this matter and supports the Agencies in ongoing efforts to help consumers make informed mortgage credit decisions. Please contact the undersigned at 202-857-3129 or via email at jfrank@acbankers.org or Patricia Milon at 202-857-3121 or via email at pmilon@acbankers.org if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Janet Frank". The signature is written in black ink and is positioned below the word "Sincerely,".

Janet Frank
Director, Mortgage Finance