

City of Santa Fe, New Mexico

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September 30, 2003

Ms. Jennifer J. Johnson, Secretary
Board of Governors Of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington DC 20551

Docket No. OP-1158

Dear Ms. Johnson:


On behalf of the City of Santa Fe, I appreciate the Federal Reserve's proposed guidance on anti-tying. However, I believe that the guidance should include stronger standards to protect consumers against abusive practices. Such guidance must include a substantial discussion of when combinations of loans, credit insurance, and other non-bank products violate anti-tying provisions of the Bank Holding Company Act. The case history of court cases and Federal Reserve enforcement would be valuable additions to the proposed anti-tying guidance.

Single premium credit insurance and adding other unnecessary products to high cost loans are major abuses committed by predatory lenders. Predatory lenders often "tie" credit insurance to loans, telling borrowers that they must purchase the credit insurance. The anti-tying guidance must contain strong warnings against this practice.

Additionally, the proposed guidance also needs more discussion of "voluntary" versus "coerced" acceptance of non-bank products by subprime borrowers. Marketing techniques and sales tactics are often the most deceptive and coercive elements of the lender transaction with subprime borrowers not familiar with financial institutions. The Federal Reserve Board could readily utilize the growing case history of government and private lawsuits against predatory lenders to identify and warn against illegal tying in the subprime market.

Thank you for the opportunity to comment on this important matter.

Sincerely,


Larry A. Delgado
Mayor