



## LEGAL ASSISTANCE FOUNDATION OF METROPOLITAN CHICAGO

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### Special Projects

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Family Law/Domestic Violence  
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Federal District Court Assistance  
For Pro Se Litigants  
Federal Court Bankruptcy Help Desk  
Health Law Project  
HIV/AIDS Project  
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Home Ownership Preservation  
(312) 431-2204  
Housing Project  
Illinois Migrant Legal Assistance  
(800) 824-4050 (toll-free)  
Legal Center for Immigrants  
(312) 341-9617  
Long Term Care Ombudsman for  
Suburban Cook and Lake Counties  
(888) 401-8200 (toll-free)  
Medical Debt Relief  
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Private Attorney Involvement  
Pro Se Divorce Clinic  
(312) 431-2101  
Public Benefits Hotline  
(888) 893-5327  
SSI Advocacy Project  
Veterans' Law Project

Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, DC 20551

In re: Proposed Truth-in-Lending Mortgage Regulations  
(FRB Docket No. R-1390)

Dear Board of Governors:

Please accept for consideration these comments regarding the FRB's proposed rule imposing new restrictions on a consumer's exercise of the extended right to rescind a home mortgage under the Truth in Lending Act (TILA).

We are the Supervising Attorneys of the Home Ownership Preservation Project (HOPP) of the Legal Assistance Foundation of Metropolitan Chicago (LAF), and the Executive Director of LAF. LAF is the largest provider of civil legal services in the Chicago metropolitan area, and HOPP is the largest provider of legal services to low-income Chicago-area homeowners facing foreclosure. Most of our clients are the victims of predatory lending practices committed by subprime mortgage brokers and lenders. For over ten years, we have provided legal services to thousands of homeowners and their families, and we have prevented hundreds of families from losing their homes.

Without question, the number one foreclosure prevention tool available to us is TILA rescission. This is often the only legal remedy which gives us the leverage to fight unfair and abusive loans and lenders. This is especially true given the complex nature of the secondary mortgage market, the explosion of securitization of mortgages beginning in the early 2000's, and, more recently, the meltdown of the subprime market and the disappearance or insolvency of many of the brokers and lenders who misled or defrauded our clients in the first place. In other words, we often cannot seek full redress from the original wrongdoers – but TILA rescission gives us the ability to defend our clients from foreclosure when their loans were tainted by the lack of accurate disclosures, and when secondary mortgage market players are trying to enforce those tainted mortgages.

December 17, 2010

So, for example, we saved the home of a 79-year-old widow of diminished mental capacity who was issued a loan where the broker falsified her income. By the time a foreclosure suit was filed to collect on the unaffordable loan, the broker was out of business, and the loan had been sold. The only claim which gave us adequate traction to force a settlement in the nature of a short payoff was our TILA rescission claim, based on understated finance charges.

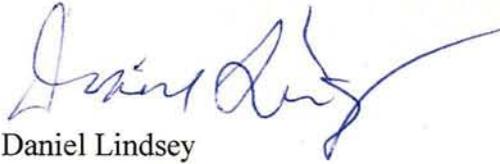
In another, similar case, we gained the leverage we needed to settle a case with a short payoff by alleging a TILA rescission claim where the most egregious aspect of the case was really the outright fraud and discrimination committed against our clients, who were severely speech- and hearing-impaired. They needed (and were entitled to) an American Sign Language interpreter at the closing, but the broker finessed this requirement, then pulled a bait and switch and tricked them into a loan they did not understand. The remedies available under the Americans with Disabilities Act would not have saved their home, the broker was insolvent, and, again, the loan had been sold on the secondary market. Only TILA rescission got them what they needed.

In yet another case we recently completed, a low-to-moderate-income couple would have lost their home but for our last-minute intervention, which consisted of raising a TILA rescission claim. After initial resistance, the lender eventually conceded to the TILA violation at issue. Our clients were able to go out and get a new loan, but only under current rules allowing them to finance the TILA tender and simultaneously obtain a release of the old lien. The proposed rules would have made it impossible for them to get the new loan, and they would have lost their home.

Time and time again, as the above cases illustrate, TILA rescission has been the remedy which has allowed us to save the homes of those who have been defrauded in various ways, where the fraud laws are not able to do the job. At this time in our history, with all of the predatory lending and irresponsible subprime lending that has been exposed, and with all of the economic ruin and damage to the housing markets it has spawned, it seems counterintuitive to us, and unfair, that the FRB would take this action. Homeowners need more protections, not fewer. Lenders need to be held more accountable, not less. And, at the same time, TILA rescission strikes the right balance and maintains borrower accountability because borrowers do not walk away from the rescinded mortgage loan owing nothing: they must still pay a tender which reflects the actual benefits received from the loan.

For these reasons we urge you to withdraw the new restrictions on use of the TILA rescission remedy that would effectively eviscerate a protection which is critical for homeowners, particularly the low-income homeowners we represent every day.

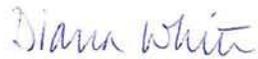
Sincerely,



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Legal Assistance Foundation of Metropolitan Chicago



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Home Ownership Preservation Project  
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