National Association of Mortgage Brokers

March 31, 2006

<u>VIA ELECTRONIC MAIL</u>

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Docket No. OP-1246

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

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

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

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

Dear Sir or Madam:

The National Association of Mortgage Brokers ("NAMB") appreciates the opportunity to submit the following comments in response to the notice and request for comment published jointly by the Office of the Comptroller of the Currency ("OCC"), Board of Governors of the Federal Reserve System ("Board"), Federal Deposit Insurance Corporation ("FDIC"), Office of Thrift Supervision ("OTS"), and the National Credit Union Administration ("NCUA") (together, the "Agencies") on the Interagency Guidance on Nontraditional Mortgage Products ("Proposed Guidance"), Docket No. (70 Fed. Reg. 77249 (Dec. 29, 2005)). We commend the Agencies in their efforts to address risk management and consumer protection practices with respect to the growing market of nontraditional loan products, and appreciate the salient concerns expressed in the Proposed Guidance, such as risk layering and borrower knowledge of such products.

NAMB is the only trade association exclusively devoted to representing the mortgage brokerage industry and speaks on behalf of more than 25,000 members in 50 states and the District of Columbia. Our members typically maintain business relationships with various lenders to provide consumers with numerous financing options. These partnerships allow our members to offer consumers the most competitive mortgage products available.

Today, mortgage brokers originate the **majority** of mortgage loans. As the principal conduit for bringing an array of innovative loan products developed by both federally- and state-regulated lenders directly to the consumers, NAMB has a vested interest in the impact of the Guidance on the nontraditional loan segment of the market. Although not directly regulated by the Agencies, due to the sheer number of lenders creating and offering these types of products, and the inter-dependent nature of the mortgage origination industry, the Proposed Guidance, once finalized, is certain to have a ripple effect throughout the mortgage industry. Because NAMB is cognizant that certain aspects of the proposed Guidance could result, and in some instances should result, in industry-wide standards, we take this opportunity to comment on the Agencies' Proposed Guidance.

NAMB is supportive of those elements in the Proposed Guidance that address consumer knowledge of nontraditional loan products. NAMB agrees wholeheartedly that consumers should be well-educated to carefully evaluate the risks and rewards of nontraditional loan products, and make an informed decision as to whether a particular product (traditional or nontraditional) suits their needs. Because mortgage brokers work directly with the consumer, NAMB believes that our comments add significant value to the issue of consumer protection and therefore, we have chosen to comment primarily on that aspect of the Proposed Guidance. With respect to those components of the Proposed Guidance that speak to safety and soundness of lending practices and risk management, NAMB believes that balance and flexibility should be the guiding principles and have offered limited comments to that extent.

I. Consumer Protection Efforts

NAMB shares the Agencies' belief that consumers should be: (1) educated about the various loan products to better appreciate the range of choice available; (2) provided with information that highlights not only the benefits but also the risks presented by nontraditional loan products; and (3) not otherwise misled or deceived by advertisements that promote nontraditional loan products. NAMB offers specific comments below that will aid the Agencies' in accomplishing each of these three stated objectives as they relate both to nontraditional as well as traditional products.

A. *All Customers Should Benefit From Working With a Knowledgeable Mortgage Originator, Regardless of Distribution Channel or Product Complexity.*

Education must be the cornerstone of any effort to improve customer knowledge of available loan products and prevent abusive lending practices. The key to a consumer understanding a particular loan product, whether traditional or nontraditional, is <u>education</u>—not only for the potential borrower, but also for the mortgage originator that offers the product to the consumer. NAMB agrees with the Agencies that "[l]ending personnel should be trained so that they are able to convey information to consumers about product terms and risks in a timely, accurate, and balanced manner." (*See* Proposed Guidance, p.35). In its effort to improve customer knowledge as well as prevent abusive lending practices, NAMB has long advocated for uniform licensure, education (including ethics training) and criminal background checks for each and every individual that handles a 1003 application,[1] *i.e.* every mortgage originator.[2]

All consumers should benefit from receiving timely and useful information about a loan product, whether traditional or nontraditional, regardless of which distribution channel they use. Education of each and every mortgage originator helps to accomplish the objective of ensuring that consumers are well-educated to make an informed decision about a particular loan product and are adequately protected throughout the mortgage origination process. To better illustrate the need to educate all mortgage originators, as opposed to just one subset, it is useful to understand that the actions of any originator can be divided into two categories: unintentional acts that can result in harm to a borrower and intentional acts that have similar results.

1. Educated Mortgage Originators Are Less Likely to Commit Unintentional Acts that Can Harm a Borrower.

Unintentional acts include those mistakes made by a mortgage originator that result from lack of knowledge about a loan product, the mortgage process or relevant laws and regulations. These are mistakes that *any* mortgage originator can make, even those employed by banks and other non-depository entities.

NAMB believes that the best solution to unintentional mistakes on the part of mortgage originators is a national, minimum requirement of pre-licensure education and continuing education. Pre-licensure and continuing education requirements are effective measures in protecting consumers throughout the mortgage origination process. To ensure the existence of a minimal level of expertise, all mortgage originators should receive pre-licensure education. Mortgage originators should not only understand the features of the loan products they sell and be able to communicate such information to a borrower, but also have sufficient knowledge of the laws and regulations that govern the loan origination industry. To maintain this competency and enhance the expertise of the industry, all mortgage originators should also be required to comply with continuing education requirements. Pre-licensure and continuing education courses should also include studies on State laws, federal statutes, and ethics.

The mortgage industry is a dynamic industry that has evolved over the years. Innovations in mortgage lending have increased the number and type of loan products available to consumers

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[1] A Form 1003 is a Uniform Residential Loan Application.

[2] The basic requirements of education, continuing education, ethics training, written exams, and using criminal background checks to "weed out bad actors" can be found in NAMB's ongoing work and commitment on the Model State Statute Initiative (MSSI) that NAMB began in 2002. A copy of the MSSI model state statute is attached hereto as Appendix A for further reference on the proposed requirements for pre-licensure and continuing education requirements.

dramatically. We no longer live in a world of only a 30-year fixed or 5/1 adjustable rate mortgage ("ARM"). Today, loan products range from a 40-year fixed to the nontraditional loan products that are the principal focus of the Proposed Guidance, such as interest-only and pay option ARMs. As recognized by the Proposed Guidance, it is imperative that all mortgage originators possess up-to-date knowledge about the full range of loan products and relevant laws as the industry continues to evolve.

NAMB is committed to ensuring that our members are knowledgeable about the range of loan products available in the marketplace and understand the features, risks and benefits of any loan type. For example, as part of NAMB's commitment to mortgage origination education, we have taken steps to add to our already extensive array of available education courses, a course focused solely on nontraditional loan products. NAMB believes that the Agencies should strongly encourage all federally-regulated institutions to educate their mortgage originators that offer these nontraditional loan products as well.

2. Criminal Background Checks of Every Mortgage Originator, in Addition to Education Requirements, Will Weed Out the Bad Actors That Commit Intentional Acts.

Intentional acts are certainly the most grievous acts committed by mortgage originators against consumers. An example of an intentional act is a mortgage originator using personal financial information provided by the consumer during the mortgage loan process illegally—in other words, using such information to commit identity theft.

While pre-licensure and continuing education requirements further ensure that a consumer works with a knowledgeable originator, the consumer also deserves to know he or she is not working with an individual who has been convicted of a financial crime, such as fraud. If an originator has been convicted of a financial crime, he or she should not be dealing with consumers and taking mortgage applications. A valuable tool for protecting consumers from such intentional bad acts of mortgage originators is the criminal background check. Criminal background checks create a barrier to entry into the mortgage origination system by those convicted of financial and other crimes. Criminal background checks conducted periodically throughout employment also ensure that an originator who has unfettered access to sensitive financial information of consumers continues to be licensed, educated and ethical. In short, criminal background checks should be required of all mortgage originators and be a barrier to employment, in certain circumstances, to help weed out the bad actors that perpetuate the very practices that the Agencies fear when offering nontraditional loan products to borrowers.

B. *An Educated Consumer Is in a Better Position to Make An Informed Decision About the Loan Product That Suits His or Her Financial Needs.*

Regardless of how knowledgeable a mortgage originator is or becomes, an educated consumer is always in a better position to make an informed decision when selecting a loan product that can match his or her financial needs. Borrowers must possess the financial literacy tools to properly evaluate the risks and benefits of nontraditional loan products that have been highlighted and communicated by the "educated mortgage originator." For this reason, NAMB believes that the Agencies should continue to strongly encourage their respective regulated entities to focus on, and allocate the necessary resources for, consumer financial literacy.

NAMB has always been a staunch supporter and advocate for consumer financial literacy. Our firm belief that an educated borrower is significantly less likely to fall victim to any abusive lending practice is demonstrated by our active involvement in various consumer education efforts. For example, NAMB initiated a pilot consumer credit education program using Freddie Mac's CreditSmart® and CreditSmart® Español financial literacy curricula. The pilot is currently being managed by NAMB state affiliates in California, Florida and Texas. NAMB partnered with United Guaranty in 2003 to create a consumer information presentation – "Are You Prepared to Head Down the Road to Homeownership?®" – to help educate minorities, immigrants and low-to-moderate income households on the home-buying process. The presentation covers common home mortgage terminology, important steps in the home-buying process, fair housing laws, credit reports and more. NAMB also strongly believes that because financial education is the key to choosing the right loan product and protecting oneself against fraud, the consumer education process should begin at a young age, with some target curriculum in our high schools. To this end, NAMB supports any effort that calls for federal funding to support consumer financial literacy efforts and outreach programs during the school years.

NAMB appreciates the Agencies focus on the use of disclosures to inform the borrower, and in fact, is in favor of a constructive and useful disclosure scheme as discussed further below in Part I.C of this letter. A consumer that is not well-versed in financial literacy will be unable to fully reap the benefits of a disclosure no matter how well-constructed. We implore the Agencies to strongly encourage their respective regulated entities to explore those avenues that outreach to borrowers and provide meaningful education to them in a timely fashion rather than just at the time of application or at the closing table. Possessing a fundamental understanding of the mortgage lending marketplace and the loan product types available will empower borrowers to comparison shop, ask meaningful questions and make financial decisions that advance their personal life objectives.

C. *A Simple, Plain Language Brochure on Nontraditional Loan Products That Consolidates Information Will Be A Meaningful and Useful Information Source to the Consumer*.

NAMB supports the concept of clear and consistent communication with the consumer from the shopping stage through consummation and afterwards throughout the life of the loan (*i.e.*, monthly statements). We share the Agencies belief that disclosures can aid in the effort to alert potential borrowers of not only the benefits, but also the risks presented by nontraditional loan products. Therefore, NAMB supports the use of a uniform, industry-wide required brochure on nontraditional loan products that is provided to the potential borrower at the shopping stage upon inquiry about a particular loan product or no later than at the time of application.

Before embarking on our discussion about disclosures, NAMB takes this opportunity to emphasize once more that any disclosure, whether new or existing, can only *aid* in the effort to inform consumers on the risks and benefits of nontraditional loan products. As stated above in Part I.A-B, NAMB firmly believes that an ill informed mortgage originator can not communicate, and a borrower not well-versed in financial literacy can not understand, complex information provided in any disclosure format, whether simple or not. A disclosure by itself is insufficient to accomplish the stated objective of ensuring that a borrower is aware of the risks and benefits of the nontraditional loan product because the inherent complexity of such products require specific explanations that will be too overwhelming and detailed in a written context. For this reason, education of loan officers, in addition to consumers, must operate in <u>tandem</u> with any mandatory disclosure scheme. Once the mortgage originator and the borrower possess the financial literacy tools necessary to understand the information imparted throughout the loan origination process, the disclosure becomes an invaluable communication tool.

NAMB also believes that any disclosure requirement should refrain from being unduly burdensome on industry and should strive to complement, rather than be redundant, of information already provided to the consumer today. Simultaneously, NAMB agrees with the Agencies that the disclosure should provide the consumer with enough information to "prudently consider the costs, terms, features, and risks of these mortgages in their product selection decisions." (*See* Proposed Guidance, p.31). With these principles in mind, NAMB respectfully makes the following two suggestions with respect to disclosing information to borrowers about nontraditional loan products: (1) update the Consumer Handbook on Adjustable Rate Mortgages ("CHARM Booklet") to include information about nontraditional loan products, and (2) work with the U.S. Department of Housing and Urban Development ("HUD") to also update the HUD-required booklet entitled "Buying Your Home: Settlement Costs and Helpful Information" ("Special Information Booklet") to include a discussion on the recent innovations and new loan products types that have developed in the mortgage industry, such as interest-only and pay option ARMs.

1. Create a New and Revised CHARM Booklet and Special Information Booklet That Includes Information About the Features, Risks and Benefits of Nontraditional Loan Products.

The Board and OTS, at the behest of the House Committee on Banking, Finance and Urban Affairs over twenty years ago, developed what is commonly referred to as the CHARM Booklet. As the Agencies are fully aware, this booklet fully explains an ARM—its definition, features, risks and benefits. The booklet also provides ways that a consumer can lessen his or her exposure to the risk presented by an ARM. The booklet advises the consumer to "ask for all the information the lender has on the loan you are considering" and to "understand [the] index rates, margins, caps, and other ARM features like negative amortization." Significantly, this booklet *already* addresses many of the topics the Agencies list in the Proposed Guidance and recommend that regulated entities focus upon throughout their communications with borrowers, such as payment shock, negative amortization, and prepayment penalties. Although not a one-page form, the CHARM booklet is invaluable because it provides consumers with a one-stop source for ARM information, advises consumers on the inherent risks of ARMs, and recommends specific steps consumers can take to ensure that they choose the loan product that match their financial needs.

NAMB respectfully suggests that the Agencies update this CHARM booklet to include the Agency recommended information relating to the features, risks and benefits of nontraditional loan products, such as the interest-only, pay option ARMs, and negative amortization loans. (*See* Proposed Guidance pp.31-33). For example, the updated booklet should include the following information pertaining to such nontraditional loan products: (1) a brief definition of the loan product type, including some basic FAQs; (2) a delineation of the material risks presented by the loan product type; (3) a simple, brief discussion on who can benefit and therefore, should consider, this type of loan product; (4) a list of questions that a consumer should ask his or her mortgage originator before choosing this type of loan product; (5) clear examples of several nontraditional loan product types that present a "worst case scenario" and fully demonstrate how interest rates and monthly payments may change throughout the life of the loan and (6) a sample monthly billing statement that reflects a payment schedule for the selected loan product under the "worst case scenario." Also, to ensure that a consumer has received all the required information for the selected loan product, the Agencies should require that both the mortgage originator and the borrower initial the section that details the "worst case scenario" for the selected loan product type.

Again, NAMB believes that all consumers should benefit from any proposed construct that is designed to educate, inform and assist in the selection of a loan product, regardless of distribution channel. The CHARM booklet is already a universal requirement of every lender, whether federally or state-regulated, and therefore, it is a well-suited medium to provide uniform information about nontraditional loan products to every consumer, regardless of distribution channel. In this spirit, Agencies should also consult and endeavor to work with HUD to update the Special Information Booklet to reflect the new loan products types that have developed in the mortgage industry. The Special Information Booklet should contain information similar to that which would be included in the updated CHARM Booklet.

2. Consumer Test the New and Revised CHARM Booklet and Special Information Booklet to Ensure Its Utility and Effectiveness as an Information Source for Consumers.

NAMB also strongly recommends that the Agencies heed the advice of its own leaders[3] and first consumer test any proposed updated CHARM booklet to better glean the utility and effectiveness of such a disclosure format. As stated by Julie L. Williams, Former Acting Comptroller of the Currency, in a speech before Women in Housing and Finance and The Exchequer Club, "There's a critical element that's been missing from our consumer disclosure rulemaking processes—testing *how consumers interpret* particular disclosures and how to make disclosures *usable* to them."[4] Only consumer input can shed light on whether the information provided is too dense, too complex, insufficient or in need of further explanation.

[3] Both Julie L. Williams, Former Acting Comptroller of the Currency, and John C. Dugan, Comptroller of the Currency, have made speeches or testified to the importance of consumer testing of disclosures to determine their utility and effectiveness.
[4] *See* Remarks by Julie L. Williams, Acting Comptroller of the Currency Before Women in Housing and Finance and The Exchequer Club, Washington D.C. (January 12, 2005).

Without consumer testing, a new and revised booklet will be just another paper added to a pile of disclosures that is already largely ignored by consumers.

During the consumer testing phase, the Agencies should consider in particular whether the booklet: (1) presents information in a "user friendly format"; (2) provides the borrower with sufficient information without being overwhelming, and (3) deters the consumer from reading it in the first place by using complex "legalese." Consumer testing can also provide insight as to whether the current disclosure regime is in need of an update and how technology can be used to improve the disclosure process.

3. Consult with a Task Force That Represents The Current Mortgage Marketplace and Obtain Both Industry and Consumer Input When Revising the CHARM Booklet and the Special Information Booklet.

Over twenty years ago, the Board and OTS created the CHARM booklet in consultation with input from a number of different industry and consumer organizations. NAMB believes the Agencies should again consult with industry and seek input on any proposed update to the CHARM booklet, or other proposed disclosure schematic. The mortgage industry has evolved significantly since that time and the mortgage broker is now a principal fixture in the loan origination process. Mortgage brokers find loans that match the financial needs of each consumer and inform homebuyers throughout the home buying process. As the segment of the mortgage industry that originates the **majority** of mortgage loans, NAMB respectfully requests that it be an integral part of any task force that may be assembled for purposes of advising on the update of the CHARM booklet and Special Information Booklet, as well as other matters relating to educating borrowers or mortgage originators about nontraditional loan products.

D. *Enforcement of Existing Laws Is Needed to Effectively Eliminate Deceptive or Misleading Marketing Practices and Communications With Consumers.*

With respect to achieving the Agencies' objectives of borrower knowledge and awareness, we have conveyed the importance of education for the mortgage originator and the consumer. We have also commented on the need for an improved, updated disclosure schematic that is useful and consumer-tested to advance consumer awareness as it relates to nontraditional loan products. We would be remiss, however, if we failed to mention that one of the most powerful tools in the arsenal of consumer protection is enforcement of existing laws.

NAMB shares the Agencies concern that "marketing and promotional practices. . . [may] emphasize potential benefits without also effectively providing complete information about material risks." (*See* Proposed Guidance, p.29). Likewise, we agree that communications with consumers, which would include promotional and marketing materials in addition to monthly statements, should fairly reflect the loan's products terms and payment structures. NAMB strongly believes that in addition to this Proposed Guidance, the Agencies should enforce existing laws that target deceptive or illegal marketing and promotional practices, such as Section 5 of the Federal Trade Commission Act ("FTC Act").

As the primary federal law that prohibits unfair or deceptive acts or practices and unfair methods of competition in or affecting commerce, the FTC Act is an invaluable consumer protection statute.[5] The FTC Act, which the Agencies have the authority to enforce,[6] can be used to address "unethical" or otherwise "bad" business practices, such as deceptive marketing, that may not necessarily fall directly under the purview of a specific banking or consumer finance law. NAMB strongly encourages the Agencies to allocate resources to, and increase their use of, this consumer protection law to ensure that marketing and promotional materials used to promote nontraditional loan products, as well as communications with consumers, are clear, balanced and not otherwise deceptive or misleading.

II. Safety and Soundness

Mortgage brokers bring an array of loan products directly to the consumer. Mortgage brokers also focus on providing assistance to the consumer throughout the home financing process so that the consumer can find and choose a loan product that suits their financial needs. Clearly, the business operations of the mortgage brokerage industry are not centered on product development, underwriting, or risk management of loan products—the very business activities upon which the Proposed Guidance focuses. Still, as stated previously, the Proposed Guidance is certain to have a ripple effect throughout the entire mortgage origination industry because of its inter-dependent nature. For this reason, NAMB takes this opportunity to provide limited comments with respect to safety and soundness matters for nontraditional loan products.

A. *Maintain an Innovative and Free Marketplace.*

First and foremost, NAMB encourages the Agencies to maintain the benefits of innovation, an expansive range of financing options, and low cost of credit that can be provided only by an open and free mortgage marketplace. Overly strict, prescriptive guidance that attempts, either directly or indirectly, to control product innovation and availability in the marketplace could result in unintended consequences. We remind the Agencies that innovative loans products, such as the interest-only ARM or the 40-year mortgage, have contributed to the greater availability of diverse loan products and enhanced consumer choice, which has directly resulted in increased competition and more affordable credit.

Second, the Proposed Guidance makes specific mention that "[a]ttention should also be paid to appropriate legal review and to using compensation programs that do not improperly encourage originators to direct consumers to particular products." (*See* Proposed Guidance, p.35) NAMB believes that innovation and technological advancement in the mortgage marketplace has occurred because the market has been free to identify market needs and develop loan products to satisfy that need. Government regulation of this innovative spirit, whether in the area of pricing, compensation, or in product development, will only result in firm boundaries that will prevent the marketplace from adequately responding to consumer needs in the future.

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[5] 15 U.S.C. § 41 *et seq.*

[6] On the Same Page: Federal Banking Agency Enforcement of the FTC Act to Address Unfair and Deceptive Practices by Banks, by Julie L. Williams and Michael S. Blysma, *The Business Lawyer*, Vol. 58 (May 2003).

B. Do Not Eliminate Viable Loan Products That Serve a Real Customer Need.

As noted in the Proposed Guidance, nontraditional loan products such as interest-only loans or negative amortization ARMs have been in existence, in some form, for decades. (*See* Proposed Guidance, p.8) These products have presented consumers with a range of financing options to allow for flexible payment schedules and the ability to manage wealth. Because of their long-term existence, the market already has seasoned experience dealing with the risks presented by these types of loan products. Therefore, it would seem that the Agencies principal concern is with the increased use of these products by the "average borrower," and the ability to combine these products with features that present several layers of risk. (*See* Proposed Guidance, p.8)

NAMB shares the Agencies concern over the increased use of nontraditional loan products, such as "interest-only" and "payment-option ARMs" that are, at times, being underwritten with either reduced documentation requirements or no documentation requirements (*i.e.,* risk-layering). But NAMB cautions the Agencies to avoid instituting guidance that could result in purposeful elimination of viable loan products that have served in the past, and continue to serve today, a real customer need. For example, the Proposed Guidance states that qualification of a borrower for a negative amortization loan product should include evaluation of the borrower's ability to repay the debt at final maturity at the fully indexed rate, which would include any principal balance increase, estimating that the borrower would only make the minimum payments throughout the deferral period. This evaluation forces the lender to qualify the borrower under the "worst case scenario" even if the likelihood of such scenario is minimal or nonexistent. The bottom line is that unwarranted tightening of underwriting guidelines could hurt the robust housing industry and deny deserving consumers the chance at homeownership.

The Agencies must remain cognizant that all loan products present some degree of risk. Rather than taking measures designed to eliminate risk, care should be taken to understand and empower both lenders and consumers to manage the risk. NAMB believes that if a lender—federal or state-regulated—desires to offer a specific, or range of, nontraditional loan products, the Agencies should not prohibit that offering for fear of a raising interest rate environment or a falling real estate valuation market, *i.e.*, theoretical risk. As long as the lender maintains sufficient capital and loss reserves to adequately mitigate risks, then the offering of innovative, "exotic" loan products should be left to the business decisions of the lenders' executives and management. Accountability and enforcement will be much more effective mechanisms in controlling the risk associated with nontraditional loan products than prescriptive guidance which may do nothing more than hamper innovation and limit consumer choice. For this reason, NAMB respectfully requests that the Agencies exercise caution in applying their guidance to theoretical risk versus actual risk, and refrain from restricting access to these products and stifling innovation of future loan products. Rather the Agencies should keep the principles of balance and flexibility as central tenets to any finalized guidance on underwriting or risk management.

Summary and Conclusion

NAMB believes that education of every mortgage originator, in addition to consumer financial literacy, must work concomitantly with any uniform, industry-wide mandated disclosure on nontraditional loan products to achieve the objective of a well-informed consumer. A brochure, even one that is revised and consumer-tested, is by itself insufficient to alert a consumer to all the features, risks and benefits of any nontraditional loan product. A mortgage originator well-versed in the complexities of the loan product type can, and should, convey the more detailed aspects of the loan to the consumer directly. This requires, of course, that every mortgage originator be well-educated on nontraditional loan products. In this spirit, NAMB believes that the Agencies should strongly encourage all federally-regulated institutions to educate their mortgage originators that offer these nontraditional loan products. With respect to safety and soundness issues relating to underwriting guidelines and risk management practices for nontraditional loan products, NAMB urges the Agencies to keep flexibility and balance as the central tenets of any finalized guidance.

NAMB appreciates the opportunity to comment on the vital issues presented by the Proposed Guidance. If you have any questions, please feel free to contact Roy DeLoach, Senior Vice President/Chief Financial Officer at 703-342-5850 or Nikita Pastor, Legislative and Regulatory Counsel, Government Affairs at 703-342-5851.

Sincerely,

Jim Nabors

James L. Nabors, II
President of NAMB