



Rita L. Mullins, Mayor

# VILLAGE OF PALATINE

200 E. Wood Street · Palatine, IL · 60067-5339  
Telephone: (847) 359-9050 · Fax (847) 359-9094  
www.palatine.il.us · Action Line (847) 705-5200

August 7, 2007

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> and Constitution Avenue, NW  
Washington DC 20551

RE: Docket No.OP-1288

Dear Ms. Johnson:

In the coming years, it is estimated that two million families face dire financial circumstances and/or foreclosure when the interest rates and their adjustable rate mortgages (ARMs) reset and climb higher this year and in 2008. I urge the Federal Reserve to expeditiously implement strong protections against abusive lending per the Federal Reserve's authority under the Home Ownership and Equity Protection Act (HOEPA).

I encourage the Federal Reserve Board to build upon the protections contained in the recently adopted interagency statement on subprime mortgage lending (Federal Register, July 10, 2007). Strong limits and prohibitions must be applied to non-traditional and high-cost loans in order to prevent unfair and deceptive lending in violation of HOEPA:

- **Prepayment penalties:** Prepayment penalties must not apply after the expiration of teaser rates in ARM prime and subprime loans.
- **State Income or Low Doc Loans:** State income or low doc loan must be prohibited on subprime and/or ARM loans.
- **Unaffordable Loans:** Lending Companies must be prohibited lending beyond borrower payment ability with RM loans at initial and low rates, leaving borrowers vulnerable to rapid rate increases.

I strongly encourage the board to accept the above recommendations in its rule making.

If you have any questions, please do not hesitate to contact me at (847) 359-9007 or [rmullins@palatine.il.us](mailto:rmullins@palatine.il.us)

Sincerely,



Rita L. Mullins  
Mayor