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Subject: Regulation Z

RE: Docket Number R-1305

To Whom It May Concern:

Neighborhood Housing Services of Baltimore, a chartered member of the NeighborWorks® Network, is generally supportive of the efforts being taken by the Federal Reserve System through this Proposed Rule, to increase the level of disclosure and transparency in the mortgage industry and protect consumers from unfair, abusive, or deceptive lending and servicing practices.

However, we believe that certain additional steps are needed, as detailed in the comments below:

Proposed prohibition to engaging in a pattern or practice of extending credit to a consumer without regard to the consumer's repayment ability

We support this proposal. We are concerned that the language, "*engaging in a pattern or practice*", establishes a legal standard that would be very difficult to prove, even when there have been flagrant violations. We are also concerned that the proposed rule is limited to subprime loans only, and does not include other nontraditional loans, such as "Payment Option Adjustable Rate Mortgages" and other Alt-A products.

Verification of Income and Assets Relied on

We are supportive of this proposal, but are concerned that the Proposed Rule would require income verification on subprime loans only. We believe this standard should be extended to cover other nontraditional loans.

Prepayment Penalties

We support the proposed limitation on prepayment penalties but ask that the Federal Reserve consider a ban on all prepayment penalties.

Requirement to Escrow for Taxes and Insurance

We support the proposal, but are concerned that this escrow requirement would be limited to subprime loans only. We believe this requirement should be extended to other nontraditional loans, such as "Payment Option Adjustable Rate Mortgages" and other Alt-A products.

Creditor Payments to Mortgage Brokers (Yield Spread Premiums)

We support the proposal to prohibit yield spread premiums without written agreement between the broker and the borrower, but do not believe this goes far enough. We believe the Federal Reserve should prohibit the use of yield-spread premiums. Yield spread premiums create a disincentive for mortgage brokers to identify the most affordable mortgage product for the borrower. Only the elimination of yield spread premiums would eliminate this unfairness in the mortgage markets.

If the Federal Reserve decided to rely on disclosure alone, we believe that bank employees and other loan originators should also be subject to such disclosure.

We appreciate the opportunity to submit comments on the proposed rule.

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