

Housing Assistance Program of Essex County, Inc.

NeighborWorks®
CHARTERED MEMBER



March 28, 2008

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

RE: Docket Number R-1305

To Whom It May Concern:

The Housing Assistance Program of Essex County, Inc., a chartered member of the NeighborWorks® Network, has provided homebuyer education for many years. During that time we have assisted over 280 low and moderate income homebuyers purchase a home without a single foreclosure. We have provided direct financial assistance to write-down the closing costs and home purchase price but most importantly we have provided home buyer education for the families. As a result of the education we have not had a foreclosure even though we have assisted clients who might have otherwise been considered to be high risk. Also, we have been called by area families provide foreclosure prevention counseling. Accordingly, we have compared our homebuyer educated clients with those who have not benefited from such a service and later face foreclosure and have noted the differences. We are generally supportive of the efforts being taken by the Federal Reserve System through the 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.

Sincerely,

A handwritten signature in blue ink, appearing to read "Alan S. Hipps". The signature is stylized and cursive.

Alan S. Hipps
Executive Director