From: Adam Rust <adam@cra-nc.org> on 04/03/2008 12:35:00 PM

Subject: Regulation Z

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

RE: Docket R-1305

The Community Reinvestment Association of North Carolina (CRA-NC) would like to support the ANPRM to amend Regulation Z. We support each of the proposed changes.

Ultimately, lending should conform to standards of safety and soundness. The role of mortgage brokers who are often not paid according to the ability of a borrower to repay a loan represents a distortion in the system. We believe that borrowers should be made to demonstrate that they have the ability to repay a loan.

I am currently working with a client who was promised a fixed rate 7 percent loan from her mortgage brokers. She probably did not deserve that rate because she had a very poor credit score. It was through this promise that the broker attracted her to his office. He did give her a 7 percent loan, but with an APR of 9.3 percent because of high PMI requirements. He told her that the loan would be 7 percent up until 30 minutes before closing. Were it not for the TILA reporting requirements, he would never disclosed. As it was, he only did so once all the parties were in the office and then he was able to effectively pressure this borrower into a loan.

The client later had other troubles that would also be solved by the changes outlined in this APNMR. She was not credited her full payments and ultimately the lender told her to either make full payments or none at all. She entered bankruptcy.

In North Carolina, mortgage brokers are involved in more than half of our mortgage transactions. They impose costs to borrowers and do not represent their interests. This is a significant problem that would be greatly helped by this rule making.

If borrowers cannot get a loan because they cannot verify their assets, then perhaps that is better in the end. We do not need homeownership to the extent that households become overexposed to real estate and potentially vulnerable to bankruptcy. A person who defaults on a mortgage veers off of the trajectory of asset building for at least seven years, due to the damage on their credit.

Higher priced mortgages, as defined by HMDA, represent a class of loans that of great concern. The legislation should make sure that we can distinguish between a loan that is temporarily not high cost due to a teaser rate, but that ultimately will become high cost after that period expires. As designed right now, HMDA data does not reveal the difference. If this ANPRM is enacted, then HMDA data should be updated accordingly so that third parties (advocacy groups) can independently verify the performance of lending institutions in meeting the

requirements outlined.

Thank you for your consideration.

Adam Rust
Research Director
Community Reinvestment Association of North Carolina
P.O. Box 1929
Durham, NC 27701

Appendix:

Highlights of Proposed Rule to Amend Home Mortgage Provisions of Regulation Z

The rule would:

* Prohibit lenders from paying mortgage brokers “yield spread premiums” that exceed the amount the consumer had agreed in advance the broker would receive. A yield spread premium is the fee paid by a lender to a broker for higher-rate loans.

* Prohibit certain servicing practices, such as failing to credit a payment to a consumer’s account when the servicer receives it, failing to provide a payoff statement within a reasonable period of time, and “pyramiding” late fees.

* Prohibit a creditor or broker from coercing or encouraging an appraiser to misrepresent the value of a home.

* Prohibit seven misleading or deceptive advertising practices for closed-end loans; for example, using the term “fixed” to describe a rate that is not truly fixed. It would also require that all applicable rates or payments be disclosed in advertisements with equal prominence as advertised introductory or “teaser” rates.

* Require truth-in-lending disclosures to borrowers early enough to use while shopping for a mortgage. Lenders could not charge fees until after the consumer receives the disclosures, except a fee to obtain a credit report.