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VIA FAX: (202) 452-3819

December 22, 2009

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

Re: Truth in Lending – Proposed Rule: Regulation Z Part 226; Docket No. R-1366

Dear Members of the Federal Reserve Board:

I am contacting you from Woodstock Institute to express our support for the Board's proposal to improve disclosure and prohibit yield spread premiums and to encourage the Board to strengthen the proposal by including loan amount in the definition of loan terms, and improve its anti-steering proposal. Woodstock Institute is a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform. Woodstock Institute works locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity. Its key tools include applied research, policy development, coalition building, and technical assistance.

Changes to Disclosure Requirements

Woodstock Institute strongly supports the replacement of the complicated and lengthy CHARM disclosure booklet with the one page disclosure form entitled "Key Questions to Ask about Your Mortgage" at the point of application. By providing a consistent disclosure form at every step of the application process and including potentially risky features in the one page disclosure, consumers will be better equipped to track the presence of risky features throughout the mortgage process.

Woodstock Institute also supports the Board's proposal to provide an ARM adjustment notice at least 60 days before a payment at a new level is due. For many borrowers, this additional notice will provide them with more opportunity to pursue loan refinancing options.

Prohibitions on Payments to Loan Originators

Woodstock Institute supports the Board's proposal to prohibit yield spread premiums and eliminate compensation on the basis of loan terms. In the case of yield spread premiums, simply disclosing compensation from a creditor is not effective in ensuring that a broker operates with the best interest of the borrower in mind. We also support the prohibition

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of compensation based on the terms of the loan. By basing compensation on a uniform payment structure, regardless of the terms, the proposal will work to ensure that the loan originator will operate in the best interest of the borrower. However, we encourage the Board to include "loan amount" in the definition of loan term for the purpose of this proposal. By excluding "loan amount," we believe the Board is creating an unintended incentive to creditors to issue larger loans, regardless of the best interest of the borrower.

Woodstock Institute also supports the Board's proposal to prohibit loan originators from steering consumers to a particular creditor's loan products based on the fact that the loan origination would receive additional compensation. However, we believe the proposal should be strengthened to: prohibit steering borrowers into loans that are not in their best interest; require the loan originator to inform the borrower if they do not offer loan products that are in the best interest of the borrower; require that a loan originator present the borrower with three loan options with the lowest rates and points; apply anti-steering provision to HELOCs; and increase enforcement efforts for fair lending laws and investigate pricing disparities.

Conclusion

We appreciate the Board's proposal to improve disclosure and prohibit yield spread premiums and encourage the Board to strengthen the proposal by prohibiting payment option ARMs, including loan amount in the definition of loan terms, and improve its anti-steering proposal.

Sincerely,



Tom Feltner
Vice President

TF/bab