

DC 37 MUNICIPAL EMPLOYEES LEGAL SERVICES

125 Barclay Street, New York, NY 10007-2179
Telephone: (212) 815-1818 Fax: (212) 815-1343



JOAN L. BERANBAUM
Director and Chief Counsel

ROBERT A. MARTIN
Associate Director

Via email to: regs.comments@federalreserve.gov

December 21, 2010

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

Re: **Proposed Truth in Lending Act Mortgage Regulations, FRB Docket No. R-1390**

Dear Ms. Johnson:

I am writing this letter to request that you withdraw the Truth in Lending Act (TILA) mortgage regulations proposed in FRB docket No. R-1390. The proposed rule would eliminate the single most effective tool that homeowners have to rectify predatory, deceptive and abusive mortgage refinance loans.

DC Municipal Employees Legal Services is a prepaid legal plan of District Council 37 of the American Federation of State, County and Municipal Employees (AFSCME). We provide services to some 120,000 employees of the City of New York and to approximately 40,000 retirees. Our coverage includes mortgage, foreclosure and modification matters, and we handle over 150 such cases annually.

TILA is one of the bedrocks in helping to ensure that consumers receive adequate disclosures and information when they enter into important transactions. In the home mortgage area, TILA and its regulations have long given homeowners the right to rescind the transaction, to the extent of voiding a lender's security interest, when the lender fails to make material disclosures about the costs and terms of the loan. For the Federal Reserve to suddenly eviscerate the right of rescission would be contrary to the intent of Congress and quite harmful to American homeowners.

Rescission does not mean that the note obligation goes away, but rather, only that the security interest is voided. In practice, the effect of the three-year right to rescission is to give an incentive to both lender and homeowner to resolve the

*A Prepaid Legal Services Program of the DC 37 Health and Security Plan:
Established by District Council 37, American Federation of State, County & Municipal Employees, AFL-CIO*

rescission claim through an affordable loan modification. The proposed regulation, by conditioning voidance of the security interest on full tender by the borrower, will greatly alter the balance so that lenders – who have violated the law in the first place – will have no incentive to agree to a loan modification.

Again, the proposed regulation is contrary to the intent of Congress when it enacted TILA. It represents an unwarranted sea-change in this area of the law that would cause great harm to homeowners and communities. We strongly urge the Board of Governors of the Federal Reserve to withdraw these proposed regulations.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Robert A. Martin".

Robert A. Martin
Associate Director
rmartin@dc37.net