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Washington State Senate

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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington, DC 20552

May 29, 2002

Re: Docket No. 2002-17, the Alternative Mortgage Transaction Parity Act, Pre-emption

Dear Sir or Madam:

I write today to strongly urge the OTS to move forward with its new proposed regulations regarding the federal Alternative Mortgage Transaction Parity Act as drafted.

As an elected official concerned about the impact of predatory lending on my constituents and borrowers across the country, I feel strongly that OTS regulations must not allow state housing creditors to evade state law limitations on prepayment penalties and late fees. High and extended prepayment penalties frequently play an extremely damaging role in the subprime market, hiding the real costs of credit, while trapping borrowers in high rate loans and stripping their equity when loans are refinanced.

Given the past and continuing abuses around prepayment penalties on high-cost home loans, states and localities should be able to limit prepayment penalties as well as late fees, on adjustable-rate mortgages made by state housing creditors, just as they have that authority on fixed-rate mortgages. As the OTS notes in its supplementary information, "prepayment penalties and late fee provisions are not intrinsic to the ability to offer alternative mortgages."

Thirty-five states already have consumer protections on the books against abusive prepayment penalties, and other states are considering taking similar steps. I had the pleasure of sponsoring two bills in the recent biennium to help protect Washingtonians from predatory lenders. OTS should respect the decisions made by state elected officials. The proposed rule would enhance the credibility of the regulatory process without restricting access to credit.

Thank you for your consideration.

Sincerely,

Karen Keiser
State Senator
Washington, 33rd Legislative District

Cc: Senator Maria Cantwell
Senator Patty Murray
Congressman Adam Smith