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C A C L V

June 24, 2002

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

Attention: Docket No. 2002-17

To Whom It May Concern:


The Community Action Committee of the Lehigh Valley strongly supports the proposed changes to the Office of Thrift Supervision's regulations implementing the Alternative Mortgage Transaction Parity Act.

As you know, approximately 80 percent of all subprime borrowers are currently saddled with prepayment penalties. However, according to Standard and Poor's, only 2 percent of prime borrowers have prepayment penalties on their loans. There is a valid argument that loans ought to be priced based on their risk. This pricing is the penalty subprime borrowers appropriately pay for their poor credit risk. Because of the cost of booking a loan, some could argue that a prepayment penalty is appropriate for a brief period of the loan. However, we have been finding five-year prepayment penalties. Coupled with the high interest rate, this can only be viewed as abusive and, therefore, predatory.

Here in the Lehigh Valley in eastern Pennsylvania, low-income and minority homebuyers in the city of Allentown have been subjected to a property-flipping scandal that is currently under investigation by federal authorities. There may have been as many as 250 such flips over the past five years. In conducting research necessary to convince these authorities of the seriousness of these abuses, we looked at more than a dozen settlement sheets and found that every single borrower was subjected to five-year pre-payment penalties. These penalties were combined with variable-rate mortgages starting in excess of 11%, with none of the loans escrowing taxes or insurance.

It is time such victimization stopped. We believe that the OTS could have made its proposal stronger. OTS could have adopted a two-year limit on prepayment penalties for the alternative mortgages issued by all the institutions it regulates. The Office also could limit the maximum amount of the prepayment penalty to one percent of the loan amount. CACLV would strongly support such proposals.

In the absence of a more aggressive protection for vulnerable populations, we applaud the Office's proposed change to their AMPTA regulations and thank you for the opportunity to comment.

Sincerely,

Alan L. Jennings
Executive Director

cc: National Community Reinvestment Coalition

Community Action Committee of the Lehigh Valley