



NATIONAL ASSOCIATION
OF REALTORS®

The Voice for Real Estate®

500 New Jersey Avenue, NW
Washington, DC 20001-2020

REGULATORY & INDUSTRY
RELATIONS

Joseph M. Ventrone
Vice President
202.383.1095
Fax 202.383.1204

October 15, 2007

Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

[Transmitted by e-mail: regs.comments@occ.treas.gov.]

Re: OCC Docket ID OCC-2007-0013

Ladies and Gentlemen:

On behalf of more than 1.3 million members of the National Association of REALTORS® (NAR), I am pleased to submit comments to the Federal Banking Agencies and the National Credit Union Administration on your Proposed Illustrations of Consumer Information for Subprime Mortgage Lending.

The National Association of REALTORS®, “The Voice for Real Estate,” is America’s largest trade association, including NAR’s five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of 1,400 local associations or boards and to 54 state and territory associations of REALTORS®.

NAR strongly supports your efforts to make sure that consumers understand the terms and conditions of subprime mortgages covered by the Statement on Subprime Mortgage Lending¹ before they decide on the best mortgage for them. We have the following suggestions for your consideration.

- The intent of the model illustrations is to help lenders provide information to consumers as discussed in the Subprime Statement in the section headed “Consumer Protection Principles.” The preamble states that while the illustrations are voluntary, an institution could choose to use them in fulfillment of its duties under the Subprime Statement. We do not believe that the Illustrations accomplish the intended purpose.
 - Under the Subprime Statement, lenders should inform consumers of potential payment shock, “including how the new payment will be calculated when the introductory fixed rate expires.” We have assumed that this means the lender will explain to the consumer how these mechanics

¹ See 72 Fed. Reg. 37569 (July 10, 2007).



work for the each mortgage that consumer is considering. The proposed illustrations only generally describe payment shock risk and do nothing to help consumers understand specifically how or when their payment would increase for any particular mortgage. That's what they need to compare and shop wisely, and we recommend that this section be redesigned to meet what we think the Subprime Statement requires.

We also suggest that the heading in Illustration 1, "Your loan will have a reduced initial interest rate," should be amended by adding "and payments may increase significantly." Although that warning is in the text, as required by the Subprime Statement, we recommend that it should also be in the heading if the consumer is to be alerted that there could be a problem with those low initial rates.

Many refer to the "initial interest rate" as the "teaser" rate. To make the Illustration easier for more consumers to understand, we recommend that you also amend the heading by inserting "(teaser rate)" after "initial interest rate".

- Under the Subprime Statement, lenders should disclose to consumers the "existence of any prepayment penalty, how it will be calculated, and when it may be imposed." Illustration 1 assumes the prepayment period will terminate 60 days before the first rate adjustment. It does not include a blank for the size of the penalty. Since some banks will use Illustration 1 as is, this section is too general. We recommend that you redesign it with blanks for the lender to fill in (and of course, we understand that the entire section could be deleted if there is no prepayment penalty).
- Under the Subprime Statement, lenders should inform consumers of "the fact that taxes and insurance costs can be substantial." Illustration 1 does not include that warning. We recommend that the last sentence under the heading "Your monthly payment will not include an amount to cover taxes and insurance" be amended by adding at the end ", which can be substantial."

Some escrows will include other periodic payments, such as private mortgage insurance and flood insurance premiums. We recommend that you consider revising the Illustration to provide for these situations.

As a technical matter, it may also be helpful to remind borrowers that they should budget for taxes and insurance not included in the monthly mortgage payment, a point you made in the Subprime Statement. One way to do this would be to amend the second sentence by adding the underlined language in the following clause: "...you are responsible for budgeting for and paying real estate taxes and insurance premiums when the bills arrive."

- Illustration 2 is a sample mortgage comparison. We recommend that, instead of this generic comparison, you provide a sample illustration that the lender could adapt to permit consumers to compare an actual ARM being considered by the borrower with a comparable fixed rate mortgage.

If you determine that a sample mortgage comparison meets the standards of the Subprime Statement, notwithstanding our concerns, we suggest that you make the example more representative of a 2/28 mortgage. We understand that 2/28s often permit increases every 6 months after the initial 2 year period, capped at a high level, such as 1.5 or even 3 percent. We do not know if there is a typical lifetime cap, but if the semiannual cap can be as much as 6 percent, we doubt the lifetime cap is likely to be only 6 percent as well, as indicated in Illustration 2.

- The Illustrations are a good opportunity to give borrowers information about what to do if they find themselves at risk of foreclosure. NAR recommends that you include information about how at-risk borrowers can get help through the NeighborWorks® America foreclosure prevention hot-line—1.888.995.HOPE.
- Not all borrowers speak English as their first language. Many loan transactions are conducted in Spanish or other languages, including translations of the official loan documents that remain in English. We recommend that you encourage lenders to provide the Illustrations in the language in which the transaction is conducted.

Thank you for the opportunity to comment on the proposed illustrations. If you have any questions, please contact Jeff Lischer, Manager, Financial Services, 202-383-1117, jlischer@realtors.org.

Sincerely yours,



Joseph M. Ventrone
Vice President, Regulatory and Industry Relations Department