



NATIONAL ASSOCIATION  
OF REALTORS®

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REGULATORY & INDUSTRY  
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Office of the Comptroller of the Currency  
250 E Street, SW  
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[Transmitted by e-mail: [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov).]

Re: OCC Docket Number 06-12

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 Nontraditional Mortgage Products.

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 nontraditional mortgages before they decide on the best mortgage for them. These illustrations are a step in the right direction. We do have several general and specific suggestions for your consideration.

- Both Illustration 1, the narrative explanation, and Illustration 2, the more quantitative illustration, are complex in their own ways. While those already familiar with these products will enhance their knowledge, it is not clear to us that a typical consumer, one who often will not qualify for a prime loan, will be able to understand them.
  - You may wish to engage a firm to test to what extent consumers with various levels of experience and education understand the proposed illustrations. We suspect you may be disappointed with the results. The privacy disclosure forms come to mind.
  - Along the same lines, the forms may benefit from a rewrite by someone outside the field experienced in drafting documents targeted at the general public.
  - 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.

- We also have a few specific suggestions:
  - Illustration 1, in the last bullet in the Interest-Only Mortgages section: We recommend that the consumer ask about the maximum amount of the potential payment. Otherwise, a lender may only disclose the payment amount based on its economist's projections of interest rates.
  - Illustration 1, in the section on Payment Option Mortgages: In the last major bullet ("Ask:"), the first sub-bullet should similarly suggest that consumers ask what the maximum payment would be when they start paying back principal.
  - Illustration 1, in the section on No Doc/Low Doc Loans: We suggest you revise the current draft to make it easier to understand and more comprehensive.
    - Do lenders ever charge the same or less for these loans? We doubt it, but the first sentence suggests this is possible.
    - Some lenders discourage consumers from documenting their income. Consumers should understand they should document their income and assets whenever they can, and this is a good place to tell them.
    - The section would also benefit from a mention of the situations when no doc/low doc loans may be appropriate (such as irregular income). This will help consumers avoid being "sold" a low doc loan because it is a better deal for the lender or mortgage broker, not the consumer.
  - Illustration 2:
    - The chart may be more useful for non-prime borrowers if you use higher interest rates, especially for the Interest-Only and Option Payment columns. Using 6.6% for Interest-Only ARMs and 6.4% for Option Payment ARMs sounds like a rosy scenario.

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](mailto:jlischer@realtors.org).

Sincerely yours,



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