Alliance FSB MEMBER FDIC
A Federal Savings Bank

March 9, 2006

Office of the Comptroller of the Currency
250 E Street, SW
Public Records Room
Mail Stop 1-5
Washington, DC 20219
Attn: Docket No. 5-21
Regs.comment@occ.treas.gov

Regulation comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G. street, NW
Washington, DC 20552
Attn: Docket No. 2005-56
regs.comments@ots.treas.gov

Robert E. Feldman
Executive Secretary
Attn: comments/ Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
comments@fdic.gov

Jennifer Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th St. and Constitution Ave, NW
Washington, DC 20551
Attn: Docket No. OP-1246
regs.comments@federalreserve.gov

Dear Sir or Madam:

Alliance FSB[1] appreciates the opportunity to comment on the Proposed Guidance- Interagency Guidance on Nontraditional Mortgage Products[2] ("Proposed Guidance") issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporations, and the Office of Thrift Supervision, (collectively, the "Agencies").

Alliance FSB will comment on issues that affect it because it believes it has sufficient expertise and experience with, specifically, NIV/STATED income loans and third party originators including quality control.

We have successfully originated NIV/STATED income loans via third party originators (Illinois licensed loan brokers) for a number of years. Because of certain quality control methods that we employ on **every** transaction (Full Doc and NIV/STATED) prior to closing, we have found that our delinquency ratio for NIV/SATED loans is consistently the same as or below that of our fully documented loan portfolio.

[1] Alliance FSB is a well capitalized $190 million Federal Savings Bank with its Headquarters and full service office located in Chicago along with a full service office in Niles, IL and loan center located in Hinsdale, IL
[2] 70 Fed.Reg 77249 (December 29, 2005)

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EQUAL HOUSING LENDER

Simple, yet effective steps to originating quality NIV/STATED loans include (1) underwriting the loan ourselves, (2) re-verifying the "source" of the stated income (not the amount), i.e. calling the employers to verify employment or the accountant that issued a "self employment letter," etc. (3) closing the loan in our own name and (4) submitting 10% of all loans for external quality control review.

Those controls have been most effective in our operation and we believe that any additional processes, stress testing or controls will stymie our originations. Alliance FSB opposes any additional restrictions for NIV/STATED income loans.

With all of the information about loan rates that is covered in television, newspapers, and the internet, we sincerely doubt that the consumer needs an additional disclosure or "be alerted to" just to tell them that they are paying a higher rate because they are getting an NIV/STATED product. The consumer already knows. Alliance FSB opposes any additional disclosure requirement for NIV/STATED income loans.

Third party originators have been utilized in our origination process for a number of years and we find them to be astute business people that are concerned about their clients, their reputation and quality loans. Granted, we deal with a small number of brokers (approximately 50+) and we have the opportunity to know them and understand their needs, likes and idiosyncrasies. Obviously, we have certain controls already in place to select, monitor and review with whom and how we do business. We believe our quality control methods described earlier provide the safeguards for sound originations via third party originators. The agencies' proposed guidance contains additional governmental regulations that will only add to our costs and burden us unnecessarily.

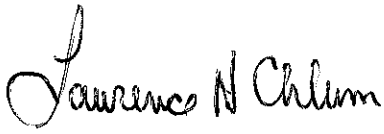
In defense of third party originators we have been able to originate a sufficient quantity of loans for both our own asset requirements and to sell to others. The agencies' proposed guidance suggests a limitation on third party originations, something that Alliance FSB strongly opposes. This would substantially increase our costs to originate by having to increase originating and processing staffs…costs that are now built into the yield spread premium paid to the third party originator.

By utilizing third party originators, we find that when lending volumes decline we are not put in the position of laying-off personnel and incurring the related costs. Further, we are not saddled with trying to hire additional staff in an overheated employment market when volumes increase. It must be noted that it is repeatedly reported that between 70% and 80% of all residential loans

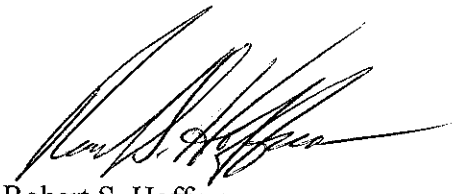
originated in the Chicago area market is originated via third party originators. Again, Alliance FSB strongly opposes any limitation on third party originators.

Alliance FSB appreciates the opportunity to comment on the proposed guidance.

Very truly yours,
Alliance FSB



Lawrence H. Chlum
President



Robert S. Hoffman
Executive Vice President