



LEGAL ASSISTANCE FOUNDATION
OF METROPOLITAN CHICAGO

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December 13, 2005

Attn: Comments/Legal ESS
Office of the Federal Deposit Insurance Corporation
550 17th St. NW
Washington, DC 20429

In re: Proposed regulations implementing Sections 24(j) and 27 of the Federal Deposit Insurance Act, 70 Fed. Reg. 60019 (Oct. 14, 2005)

Office of the Federal Deposit Insurance Corporation:

I am the Supervisory Attorney of the Home Ownership Preservation Project (HOPP) of the Legal Assistance Foundation of Metropolitan Chicago (LAF). LAF is the largest provider of civil legal services in the Chicago metropolitan area. The specific project that I supervise, HOPP, is the largest provider of legal services to Chicago-area homeowners facing foreclosure. Many of our clients are the victims of predatory lending practices committed by mortgage brokers and lenders. We represent homeowners in individual foreclosure, bankruptcy, quiet title, and other similar court actions, always with the goal of saving aggrieved homeowners' homes and/or their home equity.

Over the years, our work has shown us the tremendous need for tighter regulation of subprime lenders and brokers. In the past ten years, Chicago-area foreclosures have skyrocketed (from some 4,000 to some 20,000 per year) at the same time that subprime lending has soared. This is no coincidence, as numerous studies have shown, including one by the Woodstock Institute, which demonstrates that, in the Chicago area, subprime loans are 30 times more likely to go into foreclosure. See "There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values" (published June 14, 2005, available at: http://www.woodstockinst.org/publications/task_cat_view/gid,86/).

Because of the need for consumer protection in this area, our project has, in addition to working individually with homeowners, been active on the policy front. Most recently, we helped craft the Illinois High-Risk Home Loan Act, effective January 1, 2004. Already, this law has had the effect of curbing some of the worst abuses of predatory lending, and foreclosure rates have dropped (though they remain historically high).



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Our perspective is that it is vital to allow states the maximum ability to regulate in an area in which they have traditionally been able to do so, e.g., mortgage lending by state-chartered banks doing business in their states. For that reason, we believe it is crucial for the FDIC not to overextend the scope of federal preemption. A corollary principle is that federal agencies like the FDIC are in no way, shape, or form able to bring to bear the resources necessary to step into and fill the regulation void that is created with each new act of federal preemption.

I have reviewed the comments submitted by the National Consumer Law Center, which has offered a much more comprehensive analysis on the proposed regulations than we could possibly offer. They are among the foremost experts on this topic, and we heartily agree with their analysis and recommendations. For the reasons stated above, we join in NCLC's comments and likewise urge the FDIC to adopt regulations which would not unnecessarily limit the abilities of states to protect consumers from financial abuses visited upon them by out-of-state lenders doing business in their states.

Thank you for your consideration of these comments.

Sincerely,

Daniel P. Lindsey

Supervisory Attorney

Home Ownership Preservation Project

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