

Massachusetts Bankers Association

March 28, 2006

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve
System
Attention: Docket No. OP-1246
20th Street and Constitution Avenue, NW
Washington, DC 20551
regs.comments@federalreserve.gov

Regulations Comments
Chief Counsel's Office
Office of the Comptroller of the Currency
Attention: Docket No. 05-21
250 E Street, SW
Mailstop 1-5
Washington, DC 20219
regs.comments@occ.treas.gov

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
Attention: Comments
550 17th Street, NW
Washington, DC 20429
comments@fdic.gov

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

To Whom It May Concern:

On behalf of our 210 commercial, savings, cooperative, and savings and loan members throughout Massachusetts and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to comment on the Interagency Guidance on Nontraditional Mortgage Products. Although we are generally supportive of many aspects of the guidance and agree that institutions offering so-called nontraditional mortgage products should have vigorous risk management and consumer protection practices in place, we do have some concerns with the proposal.

Alternative mortgage products have been available for over 25 years in many markets to provide consumers an option from the traditional 30-year fixed rate mortgage. These products include adjustable rate mortgages (ARMs), as well as interest-only and payment option ARMs for borrowers with low debt to equity ratios. However, we do recognize that the availability and use of alternative mortgages has grown significantly in recent years, particularly among non-bank lenders and in areas of the country with high housing costs.

It is clear that the Agencies are concerned about a relaxation in underwriting standards and the fact that some of these products permit negative amortization at a time when the real estate market is slowing in some regions. The agencies obviously have the responsibility to respond to these market conditions to limit the systemic risk they might cause to the safety and soundness of the financial system and their impact on the economy.

We are concerned, however, with the one-size-fits-all nature of the proposal. The guidance groups all alternative mortgages together and assumes they all carry equal risk to consumers and lenders. Lenders who layer risks and offer negative amortization products should be subject to increased regulatory scrutiny. However, our member banks that offer certain alternative products such as interest-only loans

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generally do so only to those borrowers for whom the product is appropriate. We believe that it is important that the Guidance distinguish these relatively low risk loans from higher risk products such as loans that allow negative amortization.

Finally, many non-bank lenders have helped drive the recent growth in the alternative mortgage market. Although the Agencies intend to apply the Guidance to the non-bank subsidiaries of Bank Holding Companies, many non-bank lenders would be left uncovered. Therefore, we strongly support the efforts of the Conference of State Bank Supervisors and other state regulatory bodies to disseminate the guidance and encourage its application to state-regulated non-bank lenders.

Thank you again for the opportunity to comment. If you have any questions or need additional information, please contact me at (617) 523-7595 or via email at jskar@massbankers.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon K. Skarin". The signature is stylized with a large initial "J" and a long horizontal stroke at the end.

Jon K. Skarin
Director,
Federal Regulatory & Legislative Policy

JKS:aam