CREDIT UNION
ASSOCIATION
COLORADO

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May 7, 2007

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Ms. Rupp:

The Regulatory Sub-Committee ("Committee") of the Credit Union Association of Colorado appreciates the opportunity to comment on the Interagency Proposed Statement on Subprime Mortgage Lending. The Credit Union Association of Colorado, a state trade association, represents nearly 130 state and federally chartered credit unions in Colorado.

The Committee understands the concerns of the Agencies, and shares many of those concerns. As not-for-profit cooperatives, our mission, and our endeavor, is to provide consumers with financial products and services that will help them improve their lives. Because many of the consumers we serve have low and moderate-incomes, this often means tailoring loan products to meet the financial challenges of these individuals. The Committee agrees with the Agencies that credit unions must take care that these "tailored" products accurately and adequately inform the consumer of all material terms of such loans. The Committee also agrees that loan products should not be structured so as to create an undue risk of financial hardship to the consumer or to the safety and soundness of credit unions. The Committee also feels strongly that the Agencies should not inhibit credit unions' ability to develop innovative solutions to meet consumers' varied credit needs.

While the Committee strongly encourages the Agencies not to squelch credit unions' ability to create safe and innovative credit products to meet the needs of low and moderate income consumers, we agree that consumers should be fully informed of all material terms, conditions, and risks of mortgage loans they obtain. For this reason, we would support the Agencies' recommendations for improved disclosures in advertising and marketing, as well as disclosures required to be given to the consumer before, or at the time of, consummation of the loan. However, it is clear that most mortgage professionals under the Agencies' control firmly believe that more disclosures do not equal better disclosures, and that consumers are overwhelmed by the volume of disclosures they are given to now. For this reason, many consumers do not read the disclosures they are given. The Committee respectfully requests that the Agencies thoroughly consider all of the disclosures required to be made by lenders under current laws and regulations, and give serious consideration simplifying these disclosures for the benefit of consumers. Just as the Committee does not advocate increased disclosures, we are not seeking less disclosure either. Rather, we would like the Agencies to consider disclosure requirements that are easier for consumers to read and understand, and that encourages consumers to read the required disclosures so that they are fully and accurately informed.

In light of the above general comments, the Committee has the following comments to the Agencies' specific questions.

1) *Do such loans always present inappropriate risks to lenders or borrowers that should be discouraged, or alternatively, when and under what circumstances are they appropriate?* Subprime mortgage loans do not always present inappropriate risks to borrowers and lenders. Lenders can mitigate the risks posed by these loans by managing the volume of subprime loans within their overall loan portfolios. The risks to borrowers having reduced payment capacity or poor credit history can be mitigated through the adjustment of the various terms and conditions of individual loans. For example, a borrower that has a poor credit history but ample repayment capacity can withstand greater payment shock, but may not be able to meet the demand of a balloon payment if the borrower is forced to refinance the balloon amount with another lender.

2) *Will the proposed Statement unduly restrict the ability of existing subprime borrowers to refinance their loans and avoid payment shock?* The Committee believes that the proposed Statement will result in many subprime borrowers being unable to refinance existing loans.

3) *Should the principles of this Statement be applied beyond the subprime ARM market?* Yes. The Committee feels that improved disclosures and better risk management would benefit borrowers of all types of mortgage loans and should be extended beyond ARM products.

4) *We seek comment on the practice of institutions that limit prepayment penalties to the initial fixed rate period. Additionally, we seek comment on how this practice, if adopted, would assist consumers and impact institutions, by providing borrowers with a timely opportunity to determine appropriate actions relating to their mortgages. We also seek comment on whether an institution's limiting of the expiration of prepayment penalties such that they occur within the final 90 days of the fixed rate period is a practice that would help meet borrower needs*. The Committee believes that prepayment penalties should be limited to any initial fixed-rate period if the initial rate is a below-market rate with the possibility of a significant increase at the end of the fixed-rate period.

The Committee thanks the Agencies for the opportunity to comment, and appreciates their consideration of the Committee's concerns.

Respectfully,

/s/ Brad Johnson

Brad Johnson
President, Aurora Schools Federal Credit Union
Chairman, Regulatory Sub-Committee, Credit Union Association of Colorado