BECU
Your Financial Cooperative

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January 26, 2006

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

Subject: Comments regarding Guidance on Nontraditional Mortgage Products

Dear Ms. Rupp:

Boeing Employees' Credit Union (BECU) appreciates the opportunity to provide comments on the propose guidance regarding nontraditional mortgage products. BECU is a state-chartered, federally insured credit unic with assets of $5.8 billion and a membership base of over 400,000.

We understand the Agencies concerns regarding nontraditional mortgage products; however we are opposed most of the guidance except where negative amortization is possible. That, in our opinion, is the inherent issue most option adjustable rate mortgages (ARMs) and one that will get the consumer in trouble. Here are ou comments on your questions:

1. Should lenders analyze the borrower's ability to repay assuming that the borrower only makes minimur

Lenders should always analyze the overall risk of a loan, including the borrower's ability to repay. If lende choose to offer nontraditional loans, they should be aware of the potential risk and mitigate that risk in the underwriting practices.

2. What are your current underwriting practices with regard to these types of nontraditional loans and how will the change if the guidance is issued as currently proposed?
We do not offer negative amortization loans. As stated above, we feel those loans will get the consumer in troubl We offer interest only first and second mortgages for Fannie Mae Approve/Eligibles only. None of our loans have pre-payment penalty clause.

3. When would it be appropriate to use the reduced documentation feature commonly referred to as "stated income for these types of nontraditional loans?
We do not offer these products for "stated income".

4. What other forms of reduced documentation would be appropriate and under what circumstances would they b appropriate?
We require full or limited documentation for all nontraditional loans.

5. Under what circumstances would any of these be appropriate for subprime borrowers?
In our opinion under no circumstances would it be appropriate for subprime borrowers. Subprime borrowe typically have weak credit histories and/or reduced payment capacity and are a higher risk to the financi institutions. We feel these types of loans require sound underwriting practices and regular monitoring systems.

6. Should the consideration of future income be addressed in the guidance?
No. Future income is a variable that cannot be verified.

7. With regard to disclosures to consumers, the guidance outlines how the information may be presented in a clea manner, which includes focusing on the information important to the decision making, highlighting ke information, employing user-friendly and readily navigable format, and using plain language with concrete an realistic examples. The guidance also suggests providing comparative tables and providing this information at th time the consumer is shopping for the loan, as opposed to when the application is submitted. Will this requir significant changes to your disclosures?

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Yes. This would require significant changes to our disclosures and current marketing materials. Today, we provide the required regulatory disclosures on all marketing materials and statements and ensure that information we provide consumers are not misleading or deceptive. The guidance will require us to add a lot of information to marketing pieces and monthly statements. We would be required to alert consumers to the risks of these lending products (payment shock and negative amortization) and we provide information so borrowers will use these products "sensibly". We are not sure that it's a lender's role to make sure consumers use their loans responsibly.
Additionally, the guidance provides a laundry list of all the items that would need to be included in each marketing piece (costs, terms, features, risks, payment shock in both dollars and percentage terms, increased payment calculations, maximum rate payment example) which will create disclosures that may be greater in size than the marketing material itself. In our experience, such detailed disclosures can be overwhelming and are often not read by the consumers.
The guidance also recommends the addition to our monthly statements for every ARM loan, the payment options and consequences for selecting one of the payment options over the next. For example, this means that for one of our products, we would have to provide the interest only payment calculations and impact as well as principal and interest calculations and impact. It also recommends we not promote the minimum payments or interest only payment options. This could create a real burden to our program.
In our opinion, we believe the guidance should support the Federal Trade Commission's (FTC) rules that lenders must provide accurate and non-deceptive advertising. However, we do not support our having to insert detailed warnings to consumers about payment shock calculations, payment option calculations, etc. This would greatly increase the amount of information provided on marketing pieces – perhaps to a point where the marketing pieces become ineffectual. We already provide most of the information to consumers. When consumers are serious about obtaining a loan, they submit an application to us and we provide all of this information to them in an initial disclosure packet. We also discuss the various products and what meets the consumers need.

8. Will you find the guidance useful? How can it be improved?
It would be good for negative amortization situations only. We would not find it useful for other nontraditional products. It adds restrictions and complicates the process for lenders and the consumers and we feel it brings no additional value.

9. To what extent do you offer the nontraditional loans that are addressed in the guidance and do you offer these loans with simultaneous second-lien mortgages and/or with reduced documentation requirements? Under what circumstances are these types of loans appropriate for your members?
We offer only on firsts and seconds for Fannie Mae Approve/Eligible loans (excluding investment properties) only. These loans are geared for purchase transactions where the members have met all qualifications for "Approve/Eligible" ratings and want to lower their payments or qualify for a larger loan. We do not offer nontraditional products with reduced documentation.

Thank you for the opportunity to provide input to the proposed guidance. We look forward to the final outcome.

Sincerely,

Gary J. Oakland
President and CEO

Joe Brancucci
Vice President of Product and Delivery Channel Management and Chief Lending Officer