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January 31, 2007

Mr. Mark Pearce  
Deputy Commissioner of Banks  
State of North Carolina  
Office of the Commissioner of Banks  
4309 Mail Service Center  
Raleigh, NC 27699-4309

Re: Proposed Guidance on Non-Traditional Mortgage Products

Dear Mr. Pearce:

ACB appreciates the opportunity to assist the State of North Carolina as it considers finalizing a proposed guidance on "non-traditional" mortgage products. We commend your office for taking prompt action to propose guidance for all mortgage lenders regulated by the state of North Carolina that conforms to the Final Interagency Guidance for Nontraditional Mortgage Products that the federal banking agencies issued in October 2006.

ACB believes it is of utmost importance for all states to adopt guidance regarding non-traditional mortgages that mirrors the federal guidance. In our comment letter to the federal banking agencies on their proposed non-traditional mortgage guidance, we emphasized that the vast majority of community banks already follow the principles in the guidance concerning loan terms, prudent underwriting, risk management and consumer disclosure practices. However, it would not be in the interest of the citizens of North Carolina should any lending business migrate to state licensed companies solely as a byproduct of effective federal guidance. Moreover, the full benefits for this guidance will not accrue to your citizens unless the guidance is adopted and applied to state licensed lenders. Restrictions on federally regulated financial institutions would do nothing to control the practices of these entities. In some cases, this could lead to borrowers getting into homes they cannot afford.

Therefore, ACB is very pleased with the concerted efforts of the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) to distribute model guidance to the state agencies that regulate residential mortgage lenders and brokers that is parallel to the federal guidance.

Conformity of mortgage lending standards by *all* residential mortgage lenders is the key to minimizing risk and providing fair treatment for borrowers. Therefore, we think it would be detrimental for any state to adopt guidance that differs from the federal and the CSBS/AARMR guidance.

We believe that adoption of non-traditional mortgage guidance that mirrors the federal guidance is the first step toward protecting consumers and to creating a level playing field for all mortgage lenders. The critical next steps are for the states to administer and vigorously enforce the methods and principles of the guidance.

ACB appreciates the opportunity to assist you with this very important initiative. If you need any additional assistance or have any questions, please contact Janet Frank at 202-857-3129 or [jfrank@acbankers.org](mailto:jfrank@acbankers.org) or the undersigned.

Sincerely,



Robert R. Davis  
Executive Vice President and  
Managing Director, Government Relations

Copy to: Fredrick Willetts, III  
Cooperative Bank