

SHB 2770 Rulemaking - "Disclosure Summary" Comments

Name: Alliance to Prevent Predatory Lending

Received: May 30, 2008

Comments:

Dear Ms. Putzier,

On behalf of the Alliance to Prevent Predatory Lending (APPL), thank you for the opportunity to be involved in the rule-making process for HB 2770.

We have reviewed the disclosure summary rules draft as well as the draft model disclosure summary. On the whole, we think that the enhanced disclosure will provide a valuable tool for borrowers to understand the terms of their mortgage, arming them with the information needed to make sound decisions.

In addition to what is already provided on the one-page disclosure form, the following are a few suggestions we have for increasing the transparency of loan terms for borrowers:

- Define Yield-Spread-Premium (YSP): Due to the abuse of YSP in subprime mortgage lending and the fact that many borrowers are unaware of the affect that yield-spread premiums have on the rate of their loan, we think it is essential that there is complete disclosure of this cost and what it means.

We suggest that YSP be defined on the disclosure form as follows: "A Yield Spread Premium is a payment a mortgage broker receives from a lender for delivering a loan with an interest rate higher than the consumer qualifies for. In some cases, the YSP may offset other costs. You should inquire about this offset."

- Detail the costs that have an effect on the loan rate: In order for borrowers to fully understand their loan terms, we suggest that the disclosure summary detail the cost of discount points and how they lowered the rate, as well as the YSP cost and how it may have increased the rate of the loan.
- Distinguish costs associated with loan: So that borrowers know exactly what their financial obligations associated with the loan are, we suggest that the disclosure form clearly state the total transaction costs associated with the loan, indicating which costs are due at closing and which are financed in the loan.

These suggestions are also incorporated in the "Residential Model Disclosure Explanatory Statement" as drafted by the CSBS/ AAMR.

Thank you for considering our recommendations in the rule-making for the model disclosure summary.

Sincerely,

Alliance to Prevent Predatory Lending (APPL):

Statewide Poverty Action Network
Washington State Labor Council
Service Employees Int'l Union (SEIU) 775

Washington CAN!
Lutheran Public Policy Office
Minority Executive Directors Coalition
Washington State Catholic Conference
Washington ACORN
United Food & Commercial Workers (UFCW)

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