

SHB 2770 Rulemaking - "Disclosure Summary" Comments

Name: Gary Gardner

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Comments:

Following up on our conversation after the Monday meeting regarding the proposed disclosure rules for HB 2770 with input from my client BECU.

There are two areas that need some clarification with this current draft.

The most significant question is whether or not these rules apply to Home Equity Lines of Credit (HELOC). It is unclear in the draft rule, indeed in the legislation itself who's definition of "Residential Mortgage Loan" states it is an extension of credit secured by residential real property.

However the bill does have a provision in Section 8 that gives the DFI the authority to "identify which sections of this act apply to open-end credit plans." I believe this gives DFI the authority to exclude HELOC's from the disclosure rule. Including HELOC's would be problematic for calculating interest and other items since they vary with the use of the line of credit, and consequently the current proposed form would have to be significantly modified to be workable with HELOCs. Gary Oakland, the CEO of BECU who served on the Governor's Task Force which developed the framework of the legislation said that he does not recall the Task Force discussing including HELOCs in the need for the bill. My work with the legislature would suggest that legislative intent was to capture only first mortgages under the umbrella of the bill.

Under the provisions in Section 8, I would suggest that DFI clarify that HELOC's are not subject to the disclosure requirement.

The second area where I believe we need clarification is in the section of the disclosure form where the form requires taxes and insurance information. At the time this disclosure is given those are not exact figures known to the lender, so they should be listed as "estimates". Often those figures are not known until just prior to closing when the borrower gives the lender the information on the insurance, and the lender gets a final figure on the taxes from the County. DFI should consider changing the language here to say the insurance and taxes are an estimate at this time.

Thank you for your consideration. We look forward to working with DFI as these rules are developed and implemented.

For BECU,
Gary Gardner