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To: Washington Department of Financial Institutions
From: Gary Gardner (for BECU)
Date: August 10, 2008
RE: Comments on Draft 3 of Disclosure Summary Rules

On behalf of my client BECU, we would like to submit the following for your consideration regarding the third draft of the proposed Mortgage Disclosure Summary Rules required under SHB 2770.

Summary Rules

(2) Definitions:

- We would suggest that "Business day" mean the same as Reg. Z's definitions "a day on which the creditor's offices are open to the public for carrying on substantially all of its business functions."
- We believe that the definition of finance charge is a bit cumbersome and may need the addition of another definition: "Prepaid finance charge"-- means any finance charge paid separately in cash or by check before or at consummation of a transaction, or withheld from the proceeds of the credit at any time.
- In addition the definition of "fully indexed rate" could be clarified. The last sentence "The fully indexed rate is typically the best prediction of the rate after the expiration of an introductory interest rate." should be deleted. In conjunction with Adjustable Rate Mortgages, the interest rate indicated by the sum of the current value of the Index and Margin applied to the loan. This rate is the interest rate that is used to calculate monthly payments in the absence of constraints imposed by the Initial Rate or Caps.
- Under "Yield Spread Premium", the final statement is could be strengthened; "Yield spread premiums should reduce the points and fees normally charged the borrower for a market rate loan." It either is a requirement that it "shall" or the sentence serves no purpose.

(4) What information must be provided in the disclosure summary?

- We would ask that DFI further define "Loan Fees". The "(for example processing or underwriting fees)" is vague and would subject to interpretation.

(5): How must I provide the disclosure summary to the borrower?

- We would suggest that a safe harbor should be added if a Lender uses the DFI model form.

(6): When must I provide the disclosure summary?

- (a) Can you clarify if this is this three business days of a "completed" loan application?
- (b) Requires that we must disclose within 3 day of significant change or at least three days before closing. This imposes a time gap that could leave a Lender vulnerable to alleged violation. Example: Monday: borrower changes loan. Thursday, Lender sends notice. It appears that 3 additional days must expire before a Lender can close on the following Wednesday (meeting the notice provided a least three days before closing). If this is not the case, could this be clarified as to what it intends.

(7) What type of change in a material term triggers re-disclosure?

- We believe this section needs additional clarification to include a change in the borrowers verifiable income on the loan application

(9) Can I provide the disclosure summary electronically?

- We would suggest adding after the TILA statute reference "as amended" as what's in effect today is changing come October 1, 2008

10) Do I have to provide borrowers with the disclosure summary if their loan application is denied within three days of being taken?

- Again, this should be within 3 business days of receipt of a completed application (not "being taken").

Disclosure

- We suggest changing the name to read "Residential Mortgage Loan Disclosure Summary". This will help to give differentiate it from the many other disclosures and agreements provided to the applicants.
- We suggest that "Loan Amount" should read "Principal Loan Amount" per statute.
- The summary requires a disclosure of "Loan fees (for example processing or underwriting fees). However the form lists "Loan Origination", "Loan Discount" and "Other Originator Fees". What is to fall within "Other Originator Fees"?
- On the Fixed Rate Loan Disclosure Summary, we suggest the wording be "Minimum Principal & Interest Payment" if the terms don't change over the life of the loan? We recommend saying "Principal & Interest Payment."

Thank you for considering these comments. Please let me know if you have any questions or need additional clarification on our suggestions.