

SHB 2770 Rulemaking - "Disclosure Summary" Comments

Name: HomeStreet Bank

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Comments:

Message sent to Marc Gaspard at the Washington Financial League and forwarded to DFI.

We at HomeStreet have considerable concern about the proposed draft disclosure DFI developed to assist lenders and brokers in complying with SHB 2770 (Chapter 108, Laws of 2008). Our overall concern is that the proposed disclosure will in many ways confuse the borrower and could delay closing in some instances. My understanding from Gary Fallon is that you plan on attending Monday's Preliminary Rule Making Meeting, and wanted to pass on our specific concerns as follows:

Many of the required terms are not "locked" in at application time while the draft disclosure implies in several ways that the terms are set at the time of application. Until the loan is locked, the loan program has not be set, and the interest rate, loan fees, and YSP are just based on current market. The draft disclosure form does not allow for explaining this to customers. Unless modified, the form could lead customers into thinking the rate is locked when that hasn't occurred.

The only options for type of loan are fixed rate and ARM. With interest only loans still common, it is not clear how to disclose that to the applicant. In the case of interest only loans, it should refer to the initial monthly interest payment, not the initial monthly principal and interest payment.

The borrower's monthly income is not listed as an example of a "material term" in the legislation that was passed. In some types of loans, the borrower does not even state the income to the borrower, therefore The lender has nothing to enter into that box. Additionally, in cases where lenders fully document income, we rarely have a final documented income number at the time of application. Suggest this be removed from the form, with the consumer relying on disclosure of the cost of the reduced documentation. If the borrower's income is not sufficient to obtain loan approval they would be notified of that in the process required by Reg B.

The legislation that was passed indicated that we were to inform the borrower whether or not escrow reserves for taxes and insurance would be included in the monthly payment, but didn't state that we had to disclose the amounts for escrow reserves. The monthly taxes and insurance line implies that lenders know what the actual numbers are.

We can provide estimates, but not actual numbers in most cases. In the case of new construction, these items are extremely difficult to estimate. We suggest modifying the disclosure to estimated taxes And insurance, but not requiring redisclosure.

The draft disclosure lists fees that the borrower may be charged: Loan Origination, Discount Points, Mortgage Broker's Fees and "Other".

Hopefully we'll be given some direction on what to include as an "Other" fee. Is it just those fees that the lender receives as income?

The draft indicates that the borrower should refer to the GFE and HUD-I for additional fees being charged them in connection with their loan.

A HUD-I Settlement Statement is not provided by the lender/mortgage broker, but by the settlement agent as part of the loan closing process.

The draft disclosure form is asking the borrowers to refer to a form we cannot provide at time of application.

Redisclosure at least 3 days prior to closing is impractical in cases where we are closing a loan within 3 days of the initial application, or when a change in terms occurs at closing or when the closing date changes at the last minute. These instances make it impractical and not in the customers best interest to make the disclosure always at least 3 days prior to closing. Is the intent really to delay closing in these cases?

Please feel free to call me if you have any questions.

Thanks,
Susan

Susan C. Greenwald
Single Family Operations Director
HomeStreet Bank
(206)389-7725
Visit us at <http://www.homestreet.com>