



# Cobalt Mortgage

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August 14, 2008

Ms. Cindy Fazio  
Consumer Services Division  
Washington State Department of Financial Institutions  
PO Box 41200  
Olympia, WA 98504-1200

RE: SHB 2770 Rulemaking

Dear Ms. Fazio:

I appreciate the opportunity to provide my comments on the proposed rule making and new disclosure formats. Specifically I have a concern for re-disclosure requirements on adjustable rate mortgages (ARMs) as a result of "significant changes in a material term." According to the current rules draft if there is a change in APR greater than one-eighth of one percent (0.125%) the lender is required to re-disclose to the borrower no later than three days before the loan closing (document signing).

Generally as a rule closing documents are prepared within a day or so of signing at escrow and will include a final TIL disclosure. If prepared correctly the final TIL requires the **current** ARM index value (E.G. current 30 day LIBOR or current 1yr T-Bill market rate as a percent) as a data element for the calculation of APR. Since these market index values change daily and it may be 30 days or more since the initial TIL disclosure at loan application, it is very probable that, due only to the change in index value the APR will change greater than the tolerance of the current rules draft. Specifically no other terms of the loan; loan fees, start rate, caps, margins, term, etc. may have changed and the change in APR would require re-disclosure and a delay of closing to satisfy the three day waiting period.

I wonder if it is possible to reconsider wording in paragraph 7 item b to read: " For fixed rate mortgages, any increase in the annual percentage rate (APR) greater than one-eighth of one percent (.125%), or an increase in the finance charge by an amount greater than five hundred dollars (\$500.00), which ever is less. For adjustable rate mortgages (ARMs) any change in start rate, margin or interest rate caps greater than one-eighth of one percent (.125%), or any change in finance charge greater than one-quarter of one percent (.250%) of the loan amount or (\$500.00), which ever is less.

I appreciate your consideration of these comments.

Sincerely,

Keith Tibbles  
President  
Cobalt Mortgage, Inc.