

PRIMERICA'S PROPOSAL TO IMPLEMENT REQUIREMENTS UNDER WA HB 2770

Background

Primerica originates mortgage loans exclusively on behalf of its federally regulated affiliated lenders. Primerica does not process, fund or close mortgage loans in its own name, or service mortgage loans. Moreover, the activities of Primerica's exclusive representatives are non-discretionary. Representatives:

- Do not handle client funds
- Do not select appraisers or other third party service providers
- Do not make credit decisions
- Do not underwrite loans

Primerica's Current Good Faith TIL Disclosure

For its refinance loans, Primerica uses an estimated TIL Statement as an alternative means of complying with state requirements in RCWA 19.146.030(1). Primerica provides TIL terms based on the average loan amount for loans made in Washington by Primerica's lender during the prior year. The form reflects the annual percentage rate, finance charge, amount financed, total of payments, and the number and amount of payments of the average loan amount. Primerica's Good Faith TIL Disclosure also identifies:

- That it is only an estimate
- That there is no guarantee or promise that the applicant will receive a loan of any amount from the lender
- That the terms of each loan will vary

Federal Illustrations

Several federal financial regulatory agencies ("Agencies") recently issued final illustrations that will help consumers understand certain hybrid adjustable-rate mortgage (ARM) products. The Agencies noted that since illustrations are to be issued early in the lending process, when consumers have not yet selected a specific loan and institutions are not likely to have performed the credit underwriting necessary to determine all of the terms that may be offered, it would be inappropriate and confusing for the illustrations to set forth borrower-specific loan terms. The Agencies therefore agreed that the illustrations should instead be generic.

Primerica's Proposal for HB 2770 Disclosure Form

MORTGAGE REFINANCE

Based on its role in the lending process, Primerica lacks access to many of the borrower-specific loan terms sought to be disclosed under HB 2770, some of which are elected by the borrower following direct contact with the lender. For purposes of consistency with its Good Faith TIL Disclosure and in order to eliminate borrower confusion, Primerica seeks to incorporate the requisite information sought under HB 2770 into a non-borrower specific Good Faith Disclosure Summary of Material Terms ("Basic Mortgage Refinance Loan Facts") that would provide information based on the average loan amount for loans issued by the lender in Washington during the prior year, including:

- Fees and discount points on the loan
- Broker fees using the average loan amount
- The fact that loans quoted by Lender will contain a prepayment penalty, with an option to opt out
- The fact that Lender does not escrow property taxes and property insurance
- The fact that Lender does not charge a premium for loans based on reduced documentation
- The fact that Broker does not receive a Yield Spread Premium
- The fact that Lender offers only fixed-rate, fixed-term loans (no balloon payments or adjustable rates)

PREQUALIFICATION PROGRAM FOR PURCHASE MONEY MORTGAGE LOANS

The lender of purchase money loans provides an applicant with an initial TIL disclosure if the applicant qualifies for a loan and completes an application. However, as with mortgage refinance loans, Primerica does not decide and is unable to inform the applicant of the material terms of the loan if a loan is offered or made. Therefore, in order to reduce potential confusion of the applicant, Primerica proposes offering a Good Faith Disclosure Summary of Material Terms ("Basic Purchase Money Mortgage Loan Facts") to the applicant which would disclose the general terms of the loan. Two notable terms of the purchase money mortgage loans that differ from the mortgage refinance loans are:

- The fact that Lender may escrow property taxes and property insurance
- The fact that Lender may charge a premium for loans based on reduced documentation