

# SHB 2770 Rulemaking - "Disclosure Summary" Comments

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## **Comments:**

As the trade association representing Washington's credit unions, the Washington Credit Union League is pleased to have the opportunity to provide additional input on the Department of Financial Institution's on-going rulemaking process implementing rules relating to the residential mortgage loan disclosure summary required by SHB 2770. On behalf of Washington credit unions I'd like to thank the DFI for its continued willingness to hear and provide solutions to many of the concerns stakeholders have voiced over the past several months. Our remaining concerns over the draft rulemaking are few, and are summarized below.

### **Section 2(g)**

In analyzing the differences between the definitions of "residential mortgage loan" in draft #3 and draft #4, it occurred to me to ask the following question: if a credit union makes a loan to its member for a four-unit apartment, and the member intends to live in one of the apartment units, would the disclosure summary be required? My interpretation of the rule as it is currently written is that the mortgage disclosure would not be required because the loan would be for business purposes, even though the borrower also intended to live in the apartments. If this is not the intent of the DFI, perhaps this should be clarified.

### **Section 4(a) & (c)**

It would be helpful to add the words "for example" to Sections 4(a) and 4(c), as follows:

- (a) Loan fees that are charged and retained by the broker or lender (for example: processing or underwriting fees)
  
- (c) Interest rates (for example: initial, adjusting, cap, maximum)

### **Section 5**

Section 5 of the proposed rule requires the mortgage disclosure statement to be "separate" from other documents. I would propose that the wording in this section be changed to "The disclosure summary must be on a separate page from any other documents..." As currently written, "separate" could be interpreted to mean that the disclosure statement should not be provided with the borrower's other documents when, in fact, the intent of the disclosure is that it be provided together with the borrower's other documents but not combined with the borrower's other documents. This small clarification could avoid confusion down the road.

**Section 8**

Section 8 of the proposed rule pertains to the model disclosure form created by the DFI. While some financial institutions will undoubtedly create their own forms that can be better integrated into their lending systems, I would urge the DFI to indicate that the use of the model form constitutes a safeharbor for those financial institutions that choose to use it. For example: "The Department of Financial Institutions will make a model form available to you. However, you may choose to use a form that you design, as long as it is clear, accurate, contains all of the material terms, uses simple language, and fits on one page. Use of the Department's model form will constitute compliance with this rule, provided you complete the form accurately."

On behalf of Washington credit unions we appreciate many of the other changes the DFI has made to the proposal and hope these additional comments will prove useful as you finalize the rule.

Very truly yours,

Stacy S. Augustine