

From: "Andrew Grove" <argrove@rcn.com> on 12/06/2004 11:20:13 PM

Subject: Truth in Lending

Re; Docket No. R-1217.

To Whom It May Concern:

I hope these comment will be found to be useful.

Commentary to Sec 226.5b (d)(12) - 2. In last sentence, delete the word each and insert "the draw". I think you'll agree that one would not assume that the rate in effect at the beginning of the draw phase will be in effect at the beginning of the repayment phase, and that the maximum rate could be in effect.

2. Time the maximum rate could be reached. In stating the date or time when the maximum rate could be reached, creditors should assume the rate increases as rapidly as possible under the plan. In calculating the date or time, creditors should factor in any discounted or premium initial rates and periodic rate limitations. This disclosure must be provided for the draw phase and any repayment phase. Creditors should assume the index and margin shown in the last year of the historical example (or a more recent rate) is in effect at the beginning of each phase.

Commentary to Sec 226.5b (d)(12)(xi) - 4. This comment first says "that the discount or premium should be reflected in the example for as long as it is in effect." It then contradicts itself by saying "The creditor may assume that a discount or premium that would have been in effect for any part of a year was in effect for the full year for purposes of reflecting it in the historical example." I feel that, as long as we are going to use the term "Truth in Lending" we should be disclosing the truth, and not something close to it.

If I were to offer a program with a minimum payment requirement of all accrued finance charges at the close of the billing cycle, but not less than \$100.00, and my discount rate was 0.99% for 1 month, then my program would look more favorable to a borrower if I disclosed an assumed discount for 12 months, when compared to a lender disclosing an actual discounted rate of say, 3.99% for 12 months, with the same payment requirements. This, in my mind, permits a lender to use deceptive practices. If we are going to call this truth in lending, let us disclose the truth.

4. Amount of discount or premium. In reflecting any discounted or premium initial rate, the creditor may select a discount or premium that it has used during the six months preceding preparation of the disclosures, and should disclose that the discount or premium is one that the creditor has used recently. The discount or premium should be reflected in the example for as long as it is in effect. The creditor may assume that a discount or premium that would have been in effect for any part of a year was in effect for the full year for purposes of reflecting it in the historical example.

Similarly, in sub-paragraph 8 of 5b(d)(12)(xi) we are told "The calculations should be based on the actual payment computation formula", and immediately told to ignore this and are told, "the creditor may assume that all months have an equal number of days." I have never come across one single program that, in it's billing, assumes that all months have an equal amount of days. I feel we should follow the instructions of the first sentence and base the calculations on the "Actual" payment computation formula.

One other item that needs clarification, when a bank offers a discount rate that is not based on the index and margin, for example, 2.99%. Would it be possible to state in Reg Z that this is the rate to be disclosed in the first year of the 15 year history, and not the first index figure at the top of the table minus the difference between the discounted rate (2.99%) and the most current index rate at the bottom of the table.

Please call me if you have any questions regarding this matter.

Very Truly Yours, Andrew.