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Subject: Regulation Z

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April 7, 2008

REMOVE 72 HOUR WINDOW FOR ABUSE! Simplify.

Just because most of our attorneys and I am sorry to say, some of our legislators and maybe some regulators do not really understand what makes up APR, does not mean it does not work. Simplify.

And they too will understand.

What makes up a financial closing?

-Lender Amounts

-Title Search and Insurance

-Closer/Attorney

Simplify.

Keep separate. They are already suitably regulated.

What went wrong?

Lender Competition.

Programs were created to compete for the borrower.

Sales Competition.

Salespeople angled the disclosure rules to compete for the borrower.

Borrower and Professionals alike could not compare or easily understand.

Solution:

TEACH a calculator / computer rule of law and remove the WINDOW FOR ABUSE.

The disclosure law that allows Sales Presenters to defer to written disclosure 72 hours LATER of APR was designed well before the Salesmen had the tools of the Lender in hand!

The actual financial calculation necessary to compute APR is as clear as 2×3 always equals 6 but the calculation has not made it to your average calculator. It's time it does.

Example:

The best example is one that illustrates the simplicity of it all.

As a mortgage banker, I chose to buy out the lease on my BMW.

Now, one believes BMW, the dealer, and BMW Finance to be reputable companies.

However,

The buyout was \$34,000, the offered rate was 3.9, and the term was 5 years.

I said OK. (Calculating the payment on my computer.)

I would pay all taxes, and fees out of pocket.

The BMW rep said the payment was \$795.00 per month. I hit the roof.

I couldn't even get her to prepare the paperwork ahead of time so I could document the case. After all, she claimed, you'll have 72 hours right of rescission after you sign!

She said she did not have to. It would be prepared and ready when I was ready to come in and sign!

There is no mystery. Numbers do not lie. Calculators and computers do not come up with differing answers.

Given the Fixed known amounts, the payment is not \$795.00 it is \$625.00.

Simplify.

Simply, make it law that the Salesman is not allowed to defer to some later computation and calculation that will be supplied within 72 hours (As in Mortgages) or at closing with right of

rescission 72 hours later!

The unscrupulous and the untrained use this opening to their advantage against their competition and the consumer. Was the BMW finance salesperson unscrupulous or untrained here? Either way, the effect was the same. The consumer was about to be taken advantage of!

Simplicity will work.

If this Salesperson had to give me the paperwork, she would eventually be trained to know that just like 2×3 has to equal 6,

\$34,000 at 3.9% for 5 years of monthly payments has to equal \$624.63.

NO IF'S AND'S OR BUT'S.

Simplify.

Our APR rules do not have to be overhauled; they just have to be understood!

Once one learns, that given known fixed numbers, one can solve for an unknown number using a Computer / Calculator.

Everyone will begin to eventually understand over time.

That Salesman was charging me \$9,274.00 for something I was not being allowed to know about until I came in to sign.

No longer given the \$34,000.00 number, I still had the 3.9%, the 5 years of monthly payments and now I had the Salesmen's quote of \$795.00, solve for Loan Amount and you come up with \$43,274.00, again, no if's, and's or but's.

Salesperson was focused on the customer always accepting their lease buyout guarantee program, she believed the 3.9% was the rate on the buyout even though I did not want it and even made her understand if there were any BMW fees involved in the buyout, I would pay them out of pocket. Even going back to management, she confirmed without the guarantee program, the payment was \$795.00 and the rate was 3.9%. Flat Wrong, there 'aught to' be a law wrong!

Simplify.

The answer is teaching people to shop Truth In Lending Disclosures at time of Sales Presentation. Problem is the financial calculation necessary is not on the average every day calculator!

But with it the consumer can compare everything! Who cares if, because a loan presenter works the daily lock market well and makes more than his competitor so long as his APR is less than the guy who shows a higher APR for the same exact product?

Example: In that the BMW example, another bank was used with the correct APR. The bank may have had a wholesale program offering sales presenters make a rebate. One may have made more than another on the same 3.9% rate. To make the same amount, the lower one would have to 'PRESENT' a higher APR.

In this day and age of computers, the only excuse not to supply APR calculations when asked should be to take advantage of you at signing if one of those Fixed Factors changes from 'at Sales presentation' to a different APR 'at signing'.

In mortgages, as well as all forms of credit, this covers points and rebates earned by Sales Presenter once understood!

Simplify.

Also, OPTIONS, 'Open, and Adjustable' Features as opposed to 'Fixed' features must be disclosed at 'worst case'.

This is a small sentence but it covers all the programs and examples of abuse.

Federal Disclosure Requirements as existing and in place are clearer than most realize.

The problem is the 72-hour lapse in time allowed the Sales Presenter through laws and regulations created at a time well before technology caught up! Lender's back office or processor computations are now in the hands of the Sales Presenter, they must be forced to disclose them. This will indirectly put the financial calculator in the hands of the consumer!

Not required to provide disclosures when asked has been a tool against competition but more importantly, indirectly goes against the Borrower who does not shop or learn the concept.

Removing the 72 hour window after sales presentation and LEAVING the 72 hour right of rescission, will weed out the 'Low Ball' advertiser or bait and switch players. Leaving only the algebraic 'if you have a 2 and multiply it by 3 you have to get 6' At Sales Presenter. It will also weed out the 'untrained' and 'uninformed' who after seeing it over and over will come to understand it.

In the BMW example, I couldn't even give the BMW rep a bad quality of service survey report when called, because even though she called me rude when I blew up at her, I understood she was just uninformed and untrained in the financial calculation absoluteness of what she was selling!

Regardless, intentional or uninformed, how many have to overpay, until the '72 HOUR WINDOW OF ABUSE' is changed across the board.

The auto finance was used of course to illustrate the APR understanding is key to all facets of finance from autos, consumer merchandise and credit cards to mortgages. Not just mortgages!

Respectfully,

Rick Esak