

From: Franklin Financial Group, Inc., Kevin Ary
Subject: Reg Z - Truth in Lending

Comments:

To Whom It May Concern:

I am writing today to address proposals and how they would affect my business and/or consumers.

1. The Proposed Rule would require pre-application disclosures to be made by only creditors on all closed-end loan transactions regardless of whether a consumer is seeking a fixed or adjustable rate mortgage (Current rules only require pre-application disclosures for variable-rate transactions).

I request that the language be revised to permit mortgage brokers (in addition to creditors) to provide pre-application disclosures so that they (brokers) may avoid any compliance issues resulting if they are not able to provide those disclosures.

2. The Proposed Rule would revise the format and content of TILA disclosures, specifically adding a graph that compares the consumer's APR to the HOEPA Average Prime Offer Rate for borrowers with excellent credit and the HOEPA threshold for higher-priced loans. The Board believes that such disclosure would put the APR in context and help consumer understand whether they are being offered a loan that comports with their creditworthiness.

I request that The Board eliminate the disclosure of APR, and instead require disclosure of payment terms, settlement costs and monthly payment due to Board testing showed that consumers do not typically understand the APR and do not use the APR effectively as a shopping tool. I find that on almost every loan I originate, my borrowers become confused when the APR is being explained to them and most often say something like "as long as my note rate is what you show and the costs are also what you have shown, I am not really concerned with the APR". This is not an exact quote but is a realistic example of most of my borrowers' opinions.

3. The Proposed Rule provides two alternative approaches for disclosing changes to loan terms and settlement charges that occur during the three business day waiting period required between receipt of the final TILA disclosures and the consummation date. The first approach would require creditors to provide another final TILA disclosure should any terms change and delay consummation by an additional three days. The second approach would require creditors to provide another final TILA disclosure if there is any change in terms, but the additional three business day waiting period would be waived, so long as any change to the APR does not exceed a designated tolerance threshold and the creditor does not add any adjustable-rate feature to the loan.

I support the second approach since it is able to establish a reasonable tolerance threshold, within which certain terms could change after the final TILA disclosure but prior to closing without requiring re-disclosure and without triggering an additional waiting period. By adding additional waiting periods borrowers will possibly lose rate locks which could cost them additional money per month if rates increased since locking. Additionally, many loans are purchase-money loans with a contract date that is supposed to be adhered to when at all possible. Some sellers may claim a buyer has a break of contract by not closing by a specific date, and the additional waiting period could open the door to a lot of other bad issues.

Hopefully my comments were concise and are helpful in conveying my position as

an industry professional. I appreciate your time and consideration.

Kevin M. Ary
Franklin Financial Group, Inc.