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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages

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Paragraph 38(b)(4) states the following: 1. Average per-period saving for 1 percentage-point reduction in APR. Section 226.38(b)(4) requires creditors to disclose the average per-period savings of a 1 percentage-point reduction in the APR disclosed in Paragraph (b)(1). The creditor should base this disclosure on the terms of the legal obligation, except that the creditor must reduce the interest rate by one percentage point. If the legal obligation requires monthly payments, the creditor should identify the savings as the "average per-month" savings. This paragraph uses two terms that are not compatible, the APR is the cost of the credit when taking all closing costs into account. Hence a 1 percentage point drop in the APR can be caused by a reduction in closing costs with little or no impact to the interest rate of the loan. I submit that the verbiage for the paragraph and what is found on the model forms should be changed to indicate that it is not the APR that is being reduced, but the interest rate. Both the paragraph and especially the model forms are incorrect based on the examples provided.