

From: IDS, Inc., Rulon Doman  
Subject: Reg Z - Truth in Lending (Amendments)

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Comments:

Comment on Proposal: Regulation Z - Truth in Lending Act [R-1366]

I can appreciate the pressure that the FRB is under to get these interim changes out quickly before the January 30, 2011 deadline imposed by the MDIA. Other than the short time period to modify software to accommodate these changes there is another concern that came to me while reading through these changes.

If I understand the changes correctly, for all closed end real property transactions other than timeshares there will no longer be the traditional payment schedule on the Truth in Lending disclosure. It is also my understanding that it is impossible to calculate an APR accurate to 3 or 4 decimal places without the payment schedule, and in certain variable rates or other more complicated transactions, without the payment schedule, it may be impossible to calculate an APR accurate to the tolerance levels required under §226.22.

The reason I bring this up is because creditors will most likely be using software that will generate a payment schedule in order to accurately calculate the APR. However, when the Federal and/or State regulator(s) come(s) to check the accuracy of the APR list on the Truth in Lending disclosure, the regulator(s) will be unable to assess the accuracy of the APR by only using the Truth in Lending disclosure. This will leave the regulator(s) with one of two options. In the first option the regulator(s) will have to look at the Truth in Lending disclosure and the APR disclosed on it and know that it is possible for it to be an accurate APR based on this limited amount of information now on the disclosure, and therefore let the creditor pass the audit even though it may also be possible that the APR is not accurate under §226.22. Or the second option is that the regulator(s) will now also require the creditor to keep on record the payment schedule that was used to calculate the APR.

The first option allows the possibility that the APR may be disclosed incorrectly with reduced regulatory enforcement. This could make it difficult for the consumer to accurately compare offers of credit using the APR disclosed on the Truth in Lending disclosure. However, the second option increases regulatory burden on the creditor, especially small entities that may not be aware of a regulatory requirement to keep record of the payment schedule used to calculate the APR. This increased regulatory burden should be accounted for in the estimated cost estimates under the paperwork reduction act and other similar acts. It is also my opinion that this regulatory burden should be directly included in the regulation so that small entities are not caught by surprise when the regulator(s) come(s) demanding the payment schedule used to calculate the APR.

I would also like to add that it is possible that there are recordkeeping requirements for the payment schedule somewhere in regulation Z other than §226.18. If this requirement exists, I am not familiar with it. I would expect

that many small entities would not be familiar with it. The reason for this would be, that in the past recordkeeping of the payment schedule was handled by disclosing it on the Truth in Lending disclosure itself. If this requirement exists somewhere else under regulation Z, I would find it beneficial for small entities if the FRB reminds creditors of its existence.

If anyone at the FRB would like to discuss this with me please feel free to contact me directly.

Rulon Doman