

From: Olympic Mortgage Corp., Michelle Milliron
Subject: Reg Z - Truth in Lending

Comments:

Dear Federal Reserve,

I would like to make the following comments in regards to the above Docket No. R-1366:

I have been in the mortgage industry with the same company since 1993. I have seen many changes and for the most part none of them protect the public. The most these changes do is increase costs to the public and provide the Depository banking industry more advantages over the Mortgage Banker/Broker.

From my experience I have found that even though I go to extreme measures to explain the APR the public does not seem to care about it since APR is different than the rate that appears on the NOTE of their mortgage - the public is more concerned about the actual INTEREST RATE they have locked in and that will appear on the NOTE of the loan. I think this distinction gets confusing for the Federal Reserve because when it comes to credit cards the APR is the NOTE rate, but when it comes to mortgages the APR is NOT the NOTE rate that appears on the NOTE.

The public is further being penalized by have to bear the cost and risk of longer term locks in order to cover the time periods for all of these proposed waiting periods for disclosures.

Does the Federal Reserve understand that interest rates change though out the day? That Banks/Lenders change their rates through out the day based on the bond market? If the Federal Reserve understands this then why would they make proposals that would result in more volatility and risk to the consumer for his/her rate lock? The more potential waiting periods the more likely a lock will not be met or that a longer lock (which costs more) would have to be obtained.

Below are my suggestions on the different key points:

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).

Recommendation:

Revise language of the Proposed Rule to permit either the creditor, or a mortgage broker or third-party originator, to provide the required pre-application disclosures.

Because the Board has not defined mortgage brokers or other third-party

originators as creditors, and these originators are often the ones making first contact with consumers and taking applications, the Proposed Rule poses a compliance problem for creditors, mortgage brokers and other third-party originators.

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.

Recommendation:

Eliminate the disclosure of APR, and instead require disclosure of payment terms, settlement costs and monthly payment.

Board testing showed that consumers do not typically understand the APR and do not use the APR effectively as a shopping tool.

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.

Recommendation:

Support the second approach. 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.

Thank You,

Michelle Milliron
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