

From: ABI Mortgage, Inc., Franklin E Sabes  
Subject: Reg Z - Truth in Lending

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Comments:

To: The Federal Reserve Board -a letter regarding Docket No. R-1366 and proposed rules with personal comments in italics.

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).

NAMB's Policy 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.

It has been this loan originator's experience that giving the customer disclosures immediately with an application enables the customer to have a better understanding of the loan process and of the reason for disclosures being signed at closings.

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.

NAMB's Policy 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.

NAMB's recommendation is correct. The customer does not understand APR and rarely uses it as a shopping tool. By requiring clear concise disclosure of payment terms, settlement costs and monthly payments the customer has the tools to truly shop their specific loan and needs.

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.

NAMB's Policy 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.

Again, keeping the loan process as simple and direct as possible creates a cleaner and more informed shopping and loan experience for the customer. By establishing a tolerance threshold regarding terms within the TILA and, having these thresholds explained clearly and succinctly allows the customer a faster, smoother loan experience.

Thank you for reviewing this information.

Franklin E. Sabes, Loan Officer  
ABI Mortgage, Inc.