From: Clifton Savings Bank, Stephen A. Hoogerhyde, Executive Vice President

Subject: Reg Z - Truth in Lending (Amendments)

Comments:

Dear Sir or Madam,

This comment relates to the interplay of the requirements for disclosing maximum principal and interest payments for an adjustable-rate mortgage, and disclosing estimated escrow payments for the same loan.

Under §226.18(s)(2)(i)(B)(3), the creditor is required to disclose "The maximum interest rate that may apply during the life of the loan and the earliest date on which that rate may apply, labeled as 'maximum ever'." Under §226.18(s)(3)(i)(C), for loans in which the creditor requires an escrow account, the creditor is required to disclose an estimate of the monthly escrow payment for taxes and insurance. Under §226.18(s)(3)(i)(D), the figures for the principal and interest payment, and for the escrow payment, must be summed and labeled "total estimated monthly payment." Model Clause H-4 (F) of the Appendix illustrates how the disclosure would appear for an adjustable-rate mortgage.

We originate hybrid adjustable-rate mortgages, of three types: a 5/1/30 adjustable (rate is fixed for 5 years, adjusts every year thereafter), a 7/1/30 adjustable (rate is fixed for 7 years, adjusts every year thereafter), and a 10/1/30 (rate is fixed for 10 years, adjust every year thereafter). My concern is the far right column of the chart exemplified by H-4(F), the column labeled "Maximum Ever." In this column, we are to show the principal and interest payment for the maximum interest rate possible; the date that is first possible; and the escrow payment.

On a 5/1/30 adjustable, the maximum rate can first be reached in the 8th year. On a 7/1/30 adjustable, the maximum rate can first be reached in the 10th year. And on a 10/1/30 adjustable, the maximum rate can first be reached in the 13th year. So, in that far right column, we will be showing the principal and interest payment for a period 8, 10, or 13 years in the future, along with the estimated escrow payment, which we will have to sum and indicate as the total estimated monthly payment. Although the principal and interest component of that estimated total payment will be far into the future, the escrow payment will be as of the date of the disclosures.

So, we will be estimating a total monthly payment that will be utterly nonsensical, since there is no possibility that taxes and insurance will not rise over a 8, 10, or 13 year period. My concern with this is twofold.

One, how is this helpful to the consumer, when we would be disclosing a payment amount that could never happen? Two, as difficult as this might be to believe, I fear that some consumers might take the disclosure as some type of guarantee that their escrow payments will not rise. You may dismiss such a concern, but we have had arguments with mortgagors who claimed that, because they had a fixed rate mortgage loan, their monthly payment-including escrow-should never change.

Demanding that creditors disclose estimated escrow payments years into the future is, I would contend, neither practical, nor helpful to consumers, nor within the scope of what is intended by the regulation.

Sincerely,

Stephen A. Hoogerhyde
Executive Vice President & CLO
Clifton Savings Bank