April 22, 2011

Board of Governors of the Federal
Reserve System
Attn: Jennifer J. Johnson, Secretary
20th Street and Constitution Avenue, NW
Washington, DC 20551
Submitted electronically via www.federalreserve.gov

Re: Regulation Z; Docket No. R-1406; RIN No. 7100-AD-65

DHI Mortgage Company, Ltd. ("DHIM") appreciates the opportunity to comment on the Board's proposed rule to amend Regulation Z, which implements the Truth in Lending Act (TILA), and the staff commentary to the regulation, regarding escrow account disclosure requirements outlined in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

DHIM is a subsidiary of D.R. Horton, Inc., the largest homebuilder in America by units closed for the last eight consecutive years. DHIM employs approximately 500 people in 22 states, while D.R. Horton employs approximately 2,500 employees across the country. The primary mission of DHIM is to facilitate the financing and sale of new D.R. Horton homes, and provide a fair price, quality loan product, and excellent service experience for every consumer. D.R. Horton and DHIM consumers are primarily first time and first time move-up homebuyers.

DHIM generally supports certain aspects of the proposed rule but would like to respond to the Board's proposal to include escrow account disclosure requirements for all mortgage loans, specifically the new proposed waiting period related to the disclosure that mirrors the waiting period outlined by the Mortgage Disclosure Improvement Act (MDIA).

While DHIM strongly supports ensuring that the borrower is educated, informed and fully understands the implications of establishing an escrow account or electing to waive an escrow account, we believe that this should take place at application and again at loan lock when the Mortgage Loan Originator is working with the borrower to structure a loan that best suits their individual situation. The borrower's escrow account wishes are currently disclosed on the Good Faith Estimate (GFE) and the Truth in Lending Disclosure (TIL). These disclosures are often supplied several times through the loan process, especially for the new construction borrower. The GFE contains estimates for the monthly escrow payment and the amount required to initially fund the escrow account at closing. The recently enhanced TIL form also discloses the monthly estimated escrow account payments or the lack thereof. While we do believe the borrower is already presented escrow account information at the appropriate points during the loan process, we would also

DHI Mortgage, 12357 Riata Trace Parkway, Suite C150, Austin, Texas 78727

support an additional disclosure explaining the benefits and repercussions of their choice, whether it is to make monthly payments into an escrow account or to elect to manage their finances themselves.

The component of the proposal that DHIM vehemently opposes is the additional burden of implementing and attaching a waiting period for the borrower to close their loan should their wishes change. While the current proposal is not specifically clear as to how accurate the disclosure must be; if the intent is to disclose to the borrower the exact amount of their monthly escrow account payment and the exact amount needed to initially fund said escrow account at closing, we believe that this would undeniably cause excessive harm to the very people that the board is attempting to protect. The borrower is responsible for selecting their insurance carrier and often shops for the best rates until very close to the consummation date, sometimes finding a better rate or provider and changing their choice the day before closing. To restrict a borrower from the freedom of choice to change their deductible (which could result in them paying higher premiums) without having to wait 3 days to close is unreasonable and unfair. Borrowers need to be educated, but they also should not be penalized for exercising their freedom of choice.

An equally challenging dilemma relates to the fact that often, unrelated to the borrower or lender, closing dates readily change. As such, if the change were to occur when an escrow account is being established (depending on when taxes are due, with consideration of the aggregate adjustment) the exact amount needed to establish the escrow account is not clear until the loan is submitted to the closing department and the HUD-1 Settlement Statement is prepared by the Title Company. The expectation that this is to happen on a consistent basis at least three days prior to closing in order to disclose exact dollar amounts is misguided. In this scenario, the borrower loses the ability to shop providers and becomes the victim of the regulation implemented to protect them.

While the Board outlines a "bona-fide personal financial emergency" for which the borrower could write a written letter to waive their waiting period, this definition as utilized for under Reg Z for MDIA and other initiatives has proved to be so narrowly defined that it is unusable and unacceptable for an investor. We have experienced many occasions where inconsequential changes out of the lenders and borrower's control triggered a waiting period. The borrowers have implored us to close the transaction, but we could not as we would be subject to regulatory violations. Often these circumstances were not "financial emergencies" but more logistical nightmares including rescheduling movers, time away from work, losing family and friend support to relocate and heightened emotional distress. Very unfortunate scenarios for all involved. Adding another disclosure with a waiting to an already complicated, overregulated transaction, is quite frankly irresponsible, especially considering that there is no evident benefit to the borrower.

If this proposal proceeds regardless, in addition to the restrictions placed on borrowers, lenders would once again be forced to retool their information technology systems. Consistently changing regulation requires lenders to perpetually update software, re-training teammates and re-adjust compliance tools, processes and procedures. While these areas are important and are regularly enhanced, proposals prompting illegitimate regulations providing lackluster protection for borrowers merely increase the cost of the loan for consumers. Once again, the borrower suffers.

Lenders have been challenged in recent years to meet the needs outlined in recent and upcoming regulations and will continue to do so to contribute to a better lending environment for the consumer. This is especially the case when the consumer directly receives the benefit of knowledge and clarity in what is for most people the largest investment they will ever make. However, DHIM urges the Board to consider the cost vs. benefit (both financial and emotional) related to the regulations they propose and consider the harm that will inevitably result to the borrower if implemented.

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Again, DHIM supports the enhancement of disclosure regarding escrow accounts to better educate the consumer. However, we implore the Board to refrain from implementing the suggested required waiting period associated with the disclosure and to allow an improved disclosure to be provided to the borrower at application and re-disclosure. There are other alternatives to ensure that borrowers make informed decisions without ultimately limiting their decisions and causing them harm. The Board should continue to implement regulations that benefit the consumer and allow them to obtain the American dream of homeownership without it becoming a nightmare.

DHIM appreciates the opportunity to provide comments on regarding this proposed rule.

Sincerely,

Craig Pizer
Vice President/Compliance Manager

DHI Mortgage, 12357 Riata Trace Parkway, Suite C150, Austin, Texas 78727
Phone (512) 502-0545