

Attachment No. 2 to Concise Explanatory Statement: Oral Comments on SHB 2770 – One Page Disclosure Summary

Oral comments received during the public hearing held June 2, 2008, at the Capitol Campus, Olympia, Washington:

1. Kim Justice. Alliance to Prevent Predatory Lending. See also written comments. Ms. Justice suggests the form define YSP, provide more detail of the costs perhaps using the CSBS/AARMR model, and detail how the costs affect the loan rate.

Considered, some changes made.

2. Fred Corbitt. Northwest Justice Project. Mr. Corbitt generally approves the form. He suggests YSP be defined, and suggests that the section on mortgage broker fees include a sentence indicating that the mortgage broker fee does not include the YSP.

Considered, some changes made.

3. Jeff Lorsch. Evergreen State Mortgage. See also written comments. Mr. Lorsch suggests the form only contain that information that is required by the statute. Less information on this particular form is better for the consumer. He asks why the applicant's home address is necessary, he suggests making sure the order of the information is considered to keep the most important elements near the top, he suggests combining the loan origination and mortgage broker fees, he is concerned that if APR is not included, entities using the form may be subject to liability under other laws, he suggests stating whether the loan fully amortizes, the form should state if there a lock on the rate, indicate that taxes and insurance are estimated amounts, he suggests using "mortgage" instead of "loan" and other similar uses to make sure the language is understandable by the borrower, consider allowing monthly principal and interest payments lines to accommodate different types of loans.

Considered, some changes made.

4. Greg Hanon. Primerica. See also written comments. Mr. Hanon described Primerica's business model, described the specific activities the exclusive agents perform and suggests that Primerica be allowed to use a form developed for their specific business model.

Considered, no changes.

5. Damiana Merryweather, UFCW State Council. Generally supports the rules and supports the comment of those representing the Northwest Justice Project and the Association Against Predatory Lending.

Considered, no changes.

6. Scott Hazelgrove. Washington State Financial Services. See also written comments.

He suggests the disclosure rules are coordinated the existing CLA rules. He suggests language in the CLA rules that compliance under this section is deemed compliance under the CLA. He has suggestions about using the fully indexed rate terminology, concerns about requiring the disclosure summary be the “first” disclosure document the borrowers see. He has concerns about the redisclosure ramifications, suggesting “material terms” identified for redisclosure. He suggests coordination with rescission requirements under TIL. He suggests language that the disclosure summary is not a loan commitment. He is concerned that the borrower’s income statement is not required by the law. He suggests indicating the escrow items are estimates. He suggests placing the loan type near the interest rate statement. He suggests using the industry language for APR. Suggests that if referencing HUD-1 also reference HUD-1A. Suggests allowing a prepayment penalty percentage. Suggests using the closing date as the date for calculation of any balloon payment due date. Suggests future tense for wording, for example, “will be” instead of “is.”

Considered, some changes made.

7. Adam Stein. Washington Association of Mortgage Brokers. See also written comments. He agrees the APR should not be included. He encourages the department to engage with loan operating system companies so the form can be integrated with LOSs. He suggests using “estimate” language for escrowed items. Agrees that prepayment penalties should be used as a range or percentage. Suggests the use of HUD’s definition of YSP. Concerned about putting a dollar amount on reduced documentation loans. Maybe a checkbox would be better. The borrower’s income statement is important.

Considered, some changes made.

Oral comments received during the public hearing held July 2, 2008, in Renton.

8. Gary Gardner, BECU. It is not clear whether this applies to HELOCS. It is not clear whether this applies to first mortgages only. The redisclosure of material terms should be based on a percentage threshold of change. Perhaps 1-3. Are licensees required to keep signed copies in the file? Define closing as either signing or funding. If defined as signing, it will delay closings. If defined as funding as in Reg. Z, it will be subject to the three day right of rescission. In industry practice usually just the final disclosures are kept in the file.

Considered, no changes made.

9. Marge Bearman, Choice Lending, Inc. How will this form work with equity loan products like an equity line? With reverse mortgages? The amount of the payment could change. Should the fees be lumped together? Maybe you could provide a definition page. The YSP language is negative and political. YSP is compensation.

Considered, some changes made.

10. Scott Hazelgrove, WSFSA. See also written comments submitted July 2, 2008. Move the estimate language up to the top of the form. Remove the income language. Match

your terminology with industry use. The exact figure for impounds is not known at the time. Review the ARM disclosure language. Identify a specific list of material terms. I will check with the industry about the use of a percentage range of tolerances. The rules need more work. I will provide some suggested ARM language and ideas about re-disclosure tolerances.

Considered, some changes made.

11. Phyllis Kaczmariski, Twinstar CU. Does this apply to closed end HELOCS? What about home equity loans? I am concerned about this disclosure delaying closings.

Considered, some changes made.

12. Jeff Lorsch, Evergreen State Mortgage. There is still too much information. It is too confusing. Prepayment penalties and balloon payment provisions are not fees. Use Yes or No language. For example, YSP, Yes or No. Income is certified on the HUD-1. Maybe another form for ARMs, maybe another form for locked, not locked. I will provide a suggested form.

Considered, some changes made.

13. Kim Justice, Alliance to Prevent Predatory Lending. We circulated the form and received good results. The definitions provided with some of the terms are very important, such as the definition of YSP. I have some suggested YSP language. Maybe two different forms would be a good idea.

Considered, some changes made.

14. Teri J. Matison, Matison Mortgage. See also written comments. Why must mortgage brokers disclose their income and not banks? The terminology is very disparaging. I will provide some suggested YSP language.

This is an ongoing issue, revisions are being considered.

Oral comments received during the public hearing held July 21, 2008, in Olympia

15. Joe Prevost. Pioneer Financial. See written comments provided at meeting. Discussion of YSP.

This is an ongoing issue, revisions are being considered.

16. Teri Matison. Matison Mortgage. This draft is a huge improvements. Discussion of YSP. DFI has the discretion to apply the YSP disclosure to other financial institutions. Consumer Loan Company should have to disclose the YSP.

This is an ongoing issue, revisions are being considered.

17. Kat Overman. Washington ACORN. Concerned about members being able to understand the form. Use less complicated words. Move the YSP checkbox to the bottom nearer the definition.

Revision made.

18. Jeff Lorsch. Evergreen Mortgage. Keep the two forms separate. The definition of YSP is too long. I suggest something similar to “the YSP is for fees and services not paid by the borrower.” Consider adding the provider as the first person a Borrower would talk to if they did not understand the terms of their mortgage.

YSP issue ongoing, revisions are being considered.

19. Marty Lough. South Bay Mortgage. The current language does not clarify that the YSP can be used by the broker to benefit the borrower. 2770 does not mandate the definition of the YSP. The YSP is disclosed in other forms during the loan process. Use the HUD definition. I will provide some suggested language.

YSP issue ongoing, revisions are being considered.

Oral comments received during the public hearing held August 11, 2008, in Olympia

20. Kat Overman, Washington Acorn. See also written comments dated August 11, 2008. I am confused as to whether the definition of YSP is required. I have provided some suggested language. We like the form the way it is; if DFI allows proprietary forms, they should be approved by DFI.

Considered, no changes made.

21. Jeff Lorsch, Evergreen Mortgage. See also written comments dated August 11, 2008. The fully indexed rate is not the best indicator, the statement in the rules is incorrect. The use of “stated income” is incorrect. Every loan is a stated income loan. Regarding the definition of YSP, I want to use the DFI form but I cannot if it is outside the scope of what is required in the law. The definition as written puts brokers in violation of RESPA. I urge the use of the HUD definition. Regarding the trigger points for redisclosure, I suggest you follow the MBPA. It works well. Regarding a cancelled application, include withdrawn and denied. Regarding the forms, don’t use the word “lender” in place of “originator,” use the “may” language with the prepayment penalty language, same with the balloon payment language, we already provide a separate prepayment penalty disclosure. Refer to Adam Stein’s comments on reduced documentation loans. Some underwriting systems will not ask for documentation. Regarding calling the homeownership program, I tried calling them an got into a message system, I also accessed the website, there appears to be sponsorships on the website from certain lenders.

Considered, some changes made.

22. Gary Gardner, BECU. I'm glad HELOCS are excluded. Please define business day as the feds do. An application should be completed before the disclosure is required. The three day waiting period could delay closing. Some may wish to use their own form but the rules should have some safe harbor language for those who use DFI's form.

Considered, no changes.

23. Greg Hanon and Becky Myers, CitiFinancial. See also written comments. We request a delayed implementation period once the rules and forms are final. Set the three day redisclosure period to run with the three day rescission period. Discussion of CitiFinancial's pre-closing process. Please consider higher tolerances for the significant changes. I can suggest a definition of closing.

Considered, some changes made.

24. Scott Hazelgrove, WSFSA. If the statute constrains us we should consider amending the statute. The redisclosures should be within three days of application and three days prior to closing. Many changes can occur during the underwriting process. Multiple disclosures can confuse the borrower. Consider revising the tolerances and use a dollar amount threshold. DFI should support changes to the statute if that is what is necessary.

Considered, no changes.

25. Brad Tower. I will provide you with some suggested tolerance numbers.

Considered, no changes.

26. Keith Tibbles, Cobalt Mortgage. In a volatile market with indices changing, all that has an impact on the APR. I will provide written comments.

Considered, no changes.

Oral comments received during the CR-102 public hearing held October 7, 2008, in Olympia

27. Jeff Lorsch, Evergreen State Mortgage and WAMP.

See the testimony in written form, Tab 93, Attachment 1 to the Concise Explanatory Statement.

Considered, some changes made.

28. Kat Overman, Washington Acorn. We are disappointed with the current definition of YSP. DFI should use the best representation of how the YSP affects the borrower. This definition does not do that. This definition makes the YSP look happy – it is not. It does not describe the impact on the borrower. The borrower pays a higher interest rate. The use of

“should” is not good. If you offer a definition, the average borrower should understand it. Please reconsider our previously submitted suggestion for a definition.

Considered, changes made.