



November 19, 2010

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Re: Regulation Z – Interim Rule 226.18(s) – Docket No. R-1366

Dear Ms. Johnson:

Carleton Inc. is pleased to provide comments on the Federal Reserve Board's interim rule to Regulation Z implementing provisions of the Mortgage Disclosure Information Act. Our comments are limited to the creation of new subsection (s) added to existing Section 226.18.

Carleton, Inc. is a creator of consumer lending software that performs consumer credit calculations and produces required disclosure items. Carleton has served the consumer credit industry for over 40 years providing a variety of lending tools to lenders across the many segments of the industry.

In addition Carleton had the pleasure of serving the Board as a member of the Consumer Affairs Committee that advised the Division of Consumer Affairs during the Simplification of the Truth-in-Lending Act in 1978 and 1979.

While the new disclosures in subsection (s) provide a wide range of prospective information to consumer regarding their impending credit transaction, we are concerned that (s) replaces the required information in subsection (g). Our comments are directed at what information would be no longer required rather than at the content of the new information.

**Disclosure Information no Longer Required**

With Carleton's expertise centering on the mathematics needed to compute accurate disclosure items, we are keen on recognizing and displaying those items on a credit contract. It appears that with the new disclosures provided, the contract by itself will no longer contain the complete information needed to compute an accurate Truth-in-Lending APR. From a practical viewpoint, an examiner/auditor would need additional documentation in order to complete this basic exercise during the calculation portion of an examination.

**Fixed Rate Loans**

Essential items we feel are missing are: 1) the number of payments scheduled for transactions and the corresponding amounts, 2) a clear display of the first scheduled payment date, and 3) the anticipated change in the prospective payment schedule upon PMI (private mortgage insurance) reaching the mandatory 78% cutoff.

**Adjustable/Variable/Stepped Rate Loans**

The same items as above are not also required for adjustable rate loans when present in the transaction. In addition we feel it is unclear how to evaluate the requirements of 226.18(s) as published in the interim rule and Sections 226.17(c)(8)(9)(10) of the Official Staff Commentary which states that the disclosure for variable rate transactions must be given for the full term of the transaction and must be based on the terms in effect at the time of consummation. In particular the information to compute a composite rate as detailed in subsection (10) does not appear to be required as part of the interim rule.


**Summary**

While the interim rule requires information about prospective rates and payments during the life of these transactions secured by a dwelling or real property, the information to validate the most important disclosure value on the contract does not appear to be.

We feel that practice may place an undue burden on lenders to provide additional documentation in order to validate that the APR is accurate and provides opportunity for miscommunication and potential errors during the exam process.

Thank you for the opportunity to comment on the interim rule. If you have any questions, please feel free to contact me at any time.

Very truly yours,



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Director of Research  
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