

From: Thomas W Kennedy, Kingsport, TN
Subject: Truth in Lending

Comments:

Date: Jan 26, 2009

Proposal: Regulation Z - Truth in Lending
Document ID: R-1340
Document Version: 1
Release Date: 12/05/2008
Name: Thomas W Kennedy
Affiliation:
Category of Affiliation:
Address:
City: Kingsport
State: TN
Country: UNITED STATES
Zip: 37660
PostalCode:

Comments:

Many lenders offer construction and construction/permanent loans for consumers. Most of these loans are governed by a construction loan agreement with a specified time for completion of construction. If a consumer fails to complete the project by the stated date, a vast majority start adding a multitude of penalty fees on a one time or ongoing assessment. These fees are called "extension fees" for the construction timeline. There is no service provided by the lender and many times, upon completion, the lender requires all principal due on the original schedule to be paid. These so-called "construction extensions fees" are not fully disclosed on any consumer disclosures such as a Truth-In-Lending forms. They are buried in the fine print of the construction loan agreement. I have seen agreements that leave the amount of the penalty at the discretion of the lender. Fed Staff commentary should clearly state these so-called "construction extension fees" are pre-paid finance charges and are to be included on the Truth-In-Lending disclosures. At minimum, they should be disclosed like late charges. In reality, the lender is really charging additional origination fees after the consummation of the loan at the lender's discretion. An over extended construction term typically means the borrower is under duress and struggling to complete a project. These extension fees are egregious and the lender just piles on with more fees while the consumer is helpless. Many time projects are delayed due a shortage of borrower funds and the additional "construction extension fees" lead to less cash and even more delays. For those lending charging on a monthly basis, this creates a pyramid scheme. Consumers need protection and disclosure of "construction loan extension fees".