Subject: Regulation Z

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Name:	Bill Wyckoff
Affiliation:	Labette Bank
Category of Affiliation:	Commercial
Address:	319 4th Street
City:	Altamont
State:	KS
Country:	UNITED STATES
Zip:	67330
PostalCode:	67330

Comments:

RE: Docket No R-1305, Amendments to Regulation Z Thank you for the opportunity of commenting on the proposed changes to Reg. Z. I would hope the Fed could avoid any unintended consequences from this proposal. For background information, we are a rural bank operating locations in 10 Kansas communities. We have zero homes in foreclosure. The income levels of people in our area are less than the state average. Most borrowers are personally known by bank loan officers. Tonight, I have reviewed our local real estate MLS listing and found that 50% of the homes listed are priced at under $60,000 and 25% are under $40,000. (there are only 10 homes listed above $150,000). I don't need to tell you that it takes the same amount of effort, expense, and processing to book a $40,000 home loan as it does to book a $400,000 loan. Generally speaking, the borrowers buying a lower priced home have lower credit scores. There are many reasons for this, such as being young, being older on fixed income, being a single parent and so forth, but usually income levels are lower. We try to find a way to get these folks into homes if there is any acceptable way. I appreciate your endurance so far, so back to the proposed changes. Adding a category termed "higher-priced" mortgages with almost draconian penalties to Federally Regulated lenders will definitely reduce loans in the category. They will not get made in the first place. Many of our home loans at this bank are under $50,000.

But, how can I possible justify making a $22,000 home loan to a retired couple who have credit scores barely above 600 on a ten year term at 3% over the comparable Treasury? While they are good people and even though their debt to income is high, and that's all the property is worth, I know they will pay me, but I'm not going to be willing to be subjected to additional potential penalties that have been outlined in the proposal plus the additional cost of escrowing the insurance and taxes. Once upon a time I thought this was why CRA was created, but since then I have learned at a CRA exit review that "being poor was not a protected class". I also do not understand why the Fed continues to allow ANY pre-payment penalties on consumer loans. A Kansas chartered and regulated lender is prohibited from having them and it is the right thing to do. Appraisal standards were strengthened years ago and regulated lenders seem to have been the only group that followed the intent of that law. Finally, I really would like to know why the regulators limit penalties as to size of institution. A penalty of 1% of my bank's net worth is a lot of money to me, while the limit of $500,000 to one of the "too big to fail" lenders is less than the suites cost them at a low level minor league ball park or what they pay each month on jet fuel. While those huge lenders have thousands of employees doing compliance and regulation versus the half time people at small institutions, they get a free pass on the penalty phase. The penalties hit the smallest institutions which are helping the poorest the most. Go figure. Summarizing, people with lower incomes and/or lower credit scores will be ones negatively impacted by the new "higher-priced" definition. Lenders will simply pass on making those loans to avoid the extra and very costly regulation. Currently, these loans are made because the lenders know their customers and the communities they operate within. . Federally Regulated institutions already have a number of consumer protection laws which are enforced, that do protect the public in this regard. Again, thank you for accepting these comments, Sincerely, Bill Wyckoff

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