

From: Professional Bank, N.A., Mark Smith  
Subject: Reg Z Truth in Lending

---

Comments:

Dear Sir or Madam-

I strongly encourage your proposed amendment to raising the spread on Higher Priced Mortgages on Jumbo loans and offer the following comments to take it a step further:

We are a \$145MM Community Bank situated in 2 affluent communities that cater to individuals who are entrepreneurs and professionals who sometimes do not qualify for mortgage loans under the new mortgage underwriting guidelines. This niche has enabled our bank to offer "mini-perm" financing in some cases. When the new rules became effective in April of 2010, we had to stop making those types of loans and therefore were not able to service our community's needs because we were not set up to do Escrows due to our size and staffing. In the publications that I've read and the interactions I have had with numerous other bank executives, it seems to penalize the community banks for something that was primarily instigated by the mortgage industry.

To provide you with an example, today's mortgages can be had for about 4.75% for a strong borrower. Our bank offers 3 year fixed rate notes at 6.5% and a 1% origination fee which far exceeds the cap on Higher Priced Mortgages. Our borrowers typically use our product when they are planning on a short term loan with us while they either improve their ability to qualify for a mortgage or they plan on making it a short term note and would rather not have to "qualify" for a mortgage as a self employed professional.

My recommendation would be to exclude community banks from the Higher Priced Mortgage rate caps so we are not forced in to the expense and cost burden of implementing Escrow Accounts or simply having to stop serving the community we are in for owner occupied mortgage loans.

Thank you for your consideration,

Mark H. Smith  
Professional Bank, N.A.