

From: Missouri Bankers Association, Wade Nash
Subject: Reg Z Truth in Lending

Comments:

Missouri Bankers Association

October 25, 2010

Jennifer J. Johnson,

Secretary

Board of Governors
of the Federal Reserve System
20th Street and Constitution N.W.
Washington D.C. 20551

RE: Docket No R-1392 and RIN No. AD 7100-AD54
Implements Truth in Lending in Dodd-Frank Act

Dear Ms. Johnson:

The following letter is submitted on behalf of the Missouri Bankers Association and Missouri's nearly 340 federally insured banks and savings institutions. We appreciate this opportunity to comment on providing a separate higher threshold for higher-priced mortgage loans that currently exceed the maximum principal balance eligible for sale to Freddie Mac or Fannie Mae.

Under section 1461 of the Dodd-Frank Act that establishes mandatory escrow accounts in certain situations, there is established a different, higher threshold for the escrow requirement for first-lien "jumbo loans". Escrows would be mandatory if the loan's APR exceeds the average prime offer rate as of the date the loan interest rate is set by 2.5 or more percentage points. The Missouri Bankers Association supports efforts to allow bank customers who have the responsibility and resources to elect whether the bank customer holds an escrow account with the bank or chooses to pay their taxes and insurance from their own funds. This proposal is a small step towards providing responsible borrowers the opportunity to choose their own way of doing business with the bank.

However, in section 1461(c) there are four areas that the Federal Reserve may provide exemptions including exemptions for banks that operate in rural or underserved areas, to not exceed a threshold amount in a limit set by the Board, retain the mortgage loan origination within the banks portfolio and such other criteria that the Board may establish. These changes though not included in this proposal, would bring relief and appreciation for withdrawing the

burden of mandatory escrow.

We are informed that many community banks have never escrowed taxes and/or insurance on first lien residential real estate loans. These Missouri banks have the option of ceasing to lend on such first lien loans; this approach will contribute to slowing down the economy rather than providing loans and new opportunities for making the home dream come true.

Community banks that currently do not escrow, have to may acquire software, purchase the escrow service from an outside vendor or correspondent bank, or resort to mechanical time consuming efforts to maintain the escrow accounts whether they are jumbo mortgages or those sold in the secondary market.

Section 1462 provides an option for the consumer borrower to waive certain escrow services. Implementing this section would allow the borrower to tailor the residential real estate financing to his needs. Section 1462 allows the Board to limit this waiver; the section provides no specifics except warning the borrower about his or her responsibilities to pay taxes and insurance. The Federal Reserve has the power to limit this waiver. However, many responsible borrowers would welcome the opportunity to be excluded from such requirement.

There is much more that may be done to fashion the current rules on escrow to the needs of the customer and the bank. MBA looks forward to these efforts from the Federal Reserve.

Thank you for this opportunity to comment on this proposed regulation.

Sincerely,

Max Cook