

From: The Bank of Fayette County, Rhonda R Castaneda  
Subject: Revision to Escrow Account

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Comments:

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Proposal: Regulation Z - Truth in Lending Act - Revision to Escrow Account  
Requirements for Certain Home Mortgage Loans

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Comments:

The undue burden the multitude of revised, expanded and new regulations has placed on community banks like ours is staggering. If the proposed rules to amend Reg Z, Part 226 are finalized as presented, more and more community banks will be forced to stop making mortgage loans at all. Specifically, if disclosures for escrow are going to be required on vacant and unimproved land and homes other than primary residences, most community banks will be forced to hire at the minimum an additional employee to handle escrow loans only. At a time when the banking industry is still reeling from the effects of the sub-prime non-bank lenders, community banks should not be burdened with additional escrow requirements. Furthermore, a lot of borrowers do not want to escrow but are forced to do so by regulation. While the exceptions to the escrow requirements are certainly welcome, the definitions are so narrow that most community banks that the rule proposes to exempt would be unable to meet the definitions. If a community bank made any higher-priced mortgage loans, it was forced to escrow for those loans. Additionally, our Bank services our own portfolio loans which I am sure most community banks do so the exemption for not escrowing any mortgage loans it services is ineffective. I believe from discussions with my colleagues in other community banks that it would be very difficult to meet all the criteria required to be exempt from the escrow requirements. Unless these requirements for the escrow exemptions are expanded, there will be very few banks that will be exempt. I applaud the creation of a transaction coverage rate for the very reasons stated in the proposal. It is true that the APOR creates escrow requirements for non-subprime loans and, therefore, does not meet the desired objective. Finally, I would urge the Board to reconsider any revisions to Regulation Z or any other regulations prior to the creation of the CFPB. Thank you for allowing me to comment.