From: Cliff Jernigan

Subject: Reg. Z

Comments:

Dear Federal Reserve Board Reviewer-

I am heartened by the summary of your proposed mortgage rules where you will consider assets as well as income in determining qualification for a mortgage. Some lenders (Bank of America, for example) appear just to be looking at wage income and not much else. As you will note below in my email to Bank of AmericaDirector Charles Rossotti, many well-qualified individuals who are retired and do not have wage income certainly have sufficient assets to cover mortgage indebtedness and monthly payments. A Federal Reserve rule that looks at assets only should be used where the assets are sufficient. Not doing this will be missing the big picture and doing harm to the economy.

Thank you.

Cliff Jernigan

From: Cliff Jernigan
Sent: Friday, April 01, 2011 9:23 AM
To: Charles Rossotti
Subject: Bank of America

Charles-

I recently noted you are on the board at Bank of America. Congratulations. I hope you are doing well.

You may remember me. I came into the IRS along with Larry Langdon from the private sector. I was Senior Industry Advisor to the Communications, Technology and Media Group of the Large and Mid-Size Business Division. I wrote a book about my short four-year appointment with the IRS, and you wrote a very nice endorsement of the book (CORPORATE TAX AUDIT SURVIVAL-A View of the IRS through Corporate Insider Eyes).

Early in my career, I was corporate tax counsel at Bank of America. I have always had a strong affection and admiration for the Bank and its employees. I have also been a long-time Bank customer and investor in the Bank. While at the Bank, one of the most important of my accomplishments was doing the legal and tax work for the formation of the leasing company (BA Leasing) and the inclusion of the travelers check division into the Bank holding company (BAC).

I feel a vested interest in the Bank, and I am not shy about noting ways the Bank can enhance its performance to the benefit of its employees and shareholders.

In my view, the Bank needs improvement in the real estate loan area of the wealth management group. The customers in this group have been major contributors to the Bank's profits in the past. Recently I have learned that real estate loan restrictions are making it very difficult for this customer group to get loans in the following situation:

Assume a customer has $1,000,000 in a retirement account managed by the Bank's Wealth Management Group, home net equity of $10,000,000, capital gains of $1,000,000, $1000,000 in a Bank of America savings account, a small adjustable rate loan on his home of $400,000, and no wage income (he may be retired and has only social security). If he were to ask the bank for a replacement fixed rate loan of $400,000, the Bank would turn him down because he has no wage income to support the loan payments on the $400,000 loan. Yes, he can use money from his retirement account, or savings, or from capital gains, to pay down the mortgage, but the Bank will not take this into account. Turning down this type of customer is a very bad idea for the Bank. The loan officers, and underwriters, in the Bank are not seeing the big picture in not allowing a loan in this situation. This type of situation appears very common in the affluent neighborhood where I live (Woodside, Atherton, PortolaValley, Menlo Park, Los Altos Hills and Palo Alto).

Result: the bank is missing out on significant profits from some of its most credit-worthy customers. It may also be upsetting them and indirectly encouraging them to leave the Bank for another bank.

You may want to raise this issue at an upcoming board meeting.

All the best.

Cliff Jernigan