

**Commerce Bancshares, Inc.**  
Compliance Department, TB12-1  
922 Walnut P.O. Box 13686  
Kansas City, MO 64199-3686

July 18, 2008

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

RE: Docket Number R-1316

Dear Ms. Johnson:

Commerce Bancshares, Inc. is a registered bank holding company with total assets of \$17 billion at June 30, 2008, and three bank subsidiaries. Two of these banks are full-service banks, with approximately 200 branch locations in Missouri, Illinois, Kansas, Oklahoma, and Colorado. The other bank is a limited-purpose bank, with one office in Omaha, Nebraska. All of the banks are national banks. A full line of banking services, including investment management and securities brokerage are offered. The Company also has operating subsidiaries involved in mortgage banking, credit related insurance, venture capital and real estate activities.

We appreciate the opportunity to comment on Fair Credit Reporting Risk-Based Pricing Regulations, as published in the Federal Register on May 19, 2008.

Meeting the proposed notice requirements in our indirect lending business would be a difficult if not impossible challenge. As the rules are written, the dealer, for example, would have to provide the notice. We are concerned that the dealer wouldn't have the information or means to complete and deliver the notices in the prescribed manner and feel that the bank should prepare and deliver the notice. However we are not certain how the bank could meet the timing requirement proposed. We set loan rates, but the dealer has the option of increasing or decreasing the interest rate, within set limits. We do not know what the interest rate for the loan is until we have received the signed documents. For example, applicants on two separate applications both qualify for the best rate available. With the first applicant, the dealer increases the rate and with the second applicant, he does not. We would not know the first applicant should get the notice until after the loan has closed and we received the signed contract, which is always after loan closing. Providing the notice to consumers at this point in the transaction does not provide them an opportunity to shop for the best loan rate, if that is the rule's intent.

We also will find it incredibly challenging to meet the proposed notice requirements in our direct lending business. Again, some of these loans close the same day the application is

made, and while we have the information needed for underwriting available when we make the loan decision, programming requirements will force us to create the notice at loan closing. It is impossible to create the notice prior to that time.

We are equally concerned about the privacy of the information. Generally staff that takes loan applications do not have access to the consumer's credit score and factors. We are cautious about who has access to this very private, confidential information, and are instructed by our regulators to keep such information on a "need to know basis." But the proposed rule requires the notice be given before loan closing and the only way that can be done is if the staff member who took the loan application gives it to the consumer. This means staff have access to more information than they have had previously.

Overall, the notice requirements will increase loan origination costs due to system programming changes, notice creation and printing, record retention requirements and postage. Consumers are better educated than when the law was passed. They now have the ability to obtain a free annual credit report and understand their credit score is a factor in determining which interest rate they receive. It's difficult to say that either notice helps the consumer gain additional understanding. The proposed notices aren't consistent. Some notices include detail about the consumer's individual circumstances, yet others are generic. For example, the credit card notices, H1/B1 and H2/B2 do not require inclusion of the credit score or factors.

Model forms H3/B3 and H4/B4 include a graph with alternate language, by the heading, "How your score compares to the scores of other customers". Where will we get this information? It's nothing that is currently supplied to us. Is it something the credit reporting agencies will gather and report? How often must the information be updated?

If the model form is used, must it be supplied as a separate document? We would ask that lenders be permitted to include the model language within other documents provided to the consumer. This will help to limit lender costs, which in turn saves the consumer money.

Is there a way to condense the model form? In general, consumers are more open to written information that is not lengthy in nature. While we applaud the writer's intent, we do ask that consideration be given to the forms and the material within them. They should be shorter, to the point and provide the consumer the information needed. Consistency with language and format would be helpful to those preparing the form as well as those reading it.

Thank you again for the opportunity to comment on this proposal.

Sincerely,

Katherine A. D. Foster, J.D., CRCM  
Compliance Research Manager