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Via Electronic Delivery to:

October 25, 2010

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

Re: Docket No. R-1392  
RIN No. AD 7100-AD54

Ms. Johnson and Board members:

Iowa Bankers Association (IBA) is a trade association representing over 350 banks and savings and loan associations operating in the state of Iowa. Our membership is predominantly comprised of banks and savings associations deemed to be “small” or “intermediate small” for purposes of the Community Reinvestment Act (CRA). Our member banks offer a limited variety of residential mortgage loan products including in-house portfolio adjustable rate mortgage loans, balloon loans and fixed rate loans as well as secondary mortgage products. Our members, in large part, have not participated in the nontraditional mortgage market offering of higher risk products such as hybrid ARMs, negative amortization loans or loans with prepayment penalties.

We appreciate the opportunity to comment on the Board's proposed rule to amend Regulation Z to implement Section 1416 of the Dodd-Frank Wall Street Reform and Consumer Protection Act to provide a higher, separate threshold for determining coverage of the Board's escrow requirement applicable to higher-priced mortgage loans for loans that exceed the maximum principal balance eligible for sale to Freddie Mac.

Admittedly, the number of “jumbo loans” closed in Iowa is somewhat limited; especially in a declining economy. However, in the more urban areas of Iowa our members do have requests for mortgage loans that exceed the Freddie Mac limit of \$417,000. Because Iowa is not a “high cost” home market area, homes that exceed the Freddie Mac limit are considered “executive” or “luxury” homes. Consumers wishing to purchase this type of home are typically experienced home owners, not first-time home buyers, who have excellent credit ratings, debt-to-income ratios well within the bank's (and Freddie Mac's) underwriting guidelines and adequate down payment funds. These consumers also typically have an established history of paying their taxes, insurance and other home-related expenses in a timely manner.

The pricing of jumbo loans is, in large part, based on uniqueness of the collateral property and the limited pool of eligible borrowers for such properties, not the perceived credit risk associated with the borrowers. As stated above, most jumbo loans borrowers are a very good, strong credit risk. If the APR on these “jumbo loans” exceeds the applicable APOR by more than 1.5%, it is due to the risk associated with the property, not the borrower.

We appreciate Congress' response to industry input and recognition of the uniqueness of the jumbo loan market. Increasing the APR-APOR comparison threshold from 1.5% to 2.5% will grant some relief to institutions from the escrow requirements, and more importantly, jumbo loan borrowers. As stated earlier, these are experienced home loan borrowers who have a history of paying their housing-related obligations on time and would prefer to continue to manage their finances on their own going forward.

The Board is seeking input on whether the final rule should become effective immediately upon publication in the Federal Register or if additional time should be provided in order to afford creditors sufficient time to implement system and procedural changes. We encourage the Board to make the rule effective upon publication in the Federal Register. Congress' intent was to grant relief in an expeditious manner. From an implementation standpoint, "turning off" a programming feature and procedure can be done much faster than putting in place a new disclosure requirement which requires new programs to be written, procedures to be developed and training programs adapted and delivered. For many institutions, not requiring an escrow account is just a matter of "flipping a switch" or "checking a box." Delaying the effective date will only delay granting the regulatory relief intended by this provision in the Dodd-Frank Act for many institutions as well as limiting the choice of jumbo loan customers whose loans happen to close during the interim period and may have preferred not to escrow.

If you have questions about these comments, please contact the undersigned at 515-286-4361 or via e-mail, [rschlatter@iowabankers.com](mailto:rschlatter@iowabankers.com). Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronette Schlatter". The signature is fluid and cursive, written over a white background.

Ronette K. Schlatter, CRCM  
Senior Compliance Coordinator