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

December 20, 2010

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

Delivered via email:
regs.comments@federalreserve.gov

RE: Docket Number R-1390
(Specifically – Credit Protection Disclosures, Finance Charge Calculation and Advertising Rules)

Dear Madam:

Commerce Bancshares, Inc. is a registered bank holding company with total assets of $18.8 billion as of September 30, 2010 and one bank subsidiary. The bank is a full-service bank, with approximately 370 locations in Missouri, Illinois, Kansas, Oklahoma, and Colorado and card operations in Nebraska. A full line of banking services, including investment management and securities brokerage is offered. The Company also has operating subsidiaries involved in mortgage banking, credit related insurance, and private equity activities.

We appreciate the opportunity to comment on the proposal to amend Regulation Z, as published in the Federal Register on September 24, 2010. We are limiting our comments in this letter to the proposed changes to the disclosures for credit insurance and debt cancellation products (credit protection products) and the finance charge calculation, and the proposed changes to the advertising rules for open-end credit. Our organization will be submitting an additional comment letter on other areas of the proposed regulation.

- **Disclosures**

We are opposed to certain language in the proposed disclosures. We believe the proposed language is inaccurate and misleading about the value of the credit protection products we offer.

We offer credit protection products to our borrowers in a responsible manner. We comply with existing regulations and fully inform our borrowers about our products. We do not object to providing new or revised disclosures, as long as those disclosures are reasonable and accurate.

Our concern with the proposed disclosure language lies with the following statements:

- "If you already have enough insurance or savings to pay off (or make payments on) this line of credit (or loan) if you (other covered event), you may not need this product."

We believe that this statement is misleading and inappropriately steers customers away from a product that may be beneficial. Purchase of a credit protection product provides valuable coverage even to consumers who already have their own insurance, because they will not have to deplete their other coverage in order to pay off their debts and avoid foreclosure or repossession of assets offered as security. Further, it is generally accepted that many American families are under-insured, making credit protection even more valuable.

We ask that the statement be removed from the proposed disclosure.

- "Other types of insurance can give you similar benefits and are often less expensive."

We object to the statement, because it is both inappropriate and inaccurate. National banks are authorized to offer credit insurance, debt cancellation contracts, and debt suspension agreements pursuant to 12 U.S.C. 24 (Seventh). It is inappropriate for the Board to undermine the sale of these products by requiring disclosures suggesting that the products are unnecessary and overpriced. The Board's role is to provide objective disclosures regarding the cost of credit so consumers can make an informed choice when obtaining loans. It is not to advise consumers against the purchase of credit protection or any other bank product.

The implication that credit protection programs provide little or no value to consumers is not true. In the event trouble befalls a covered borrower, these programs make monthly payments or pay off the loan, keeping customers current with their loan payments, reducing delinquencies or foreclosures, and ensuring that consumers have one less thing to worry about during a time of economic and emotional stress.

It is true that some other types of insurance may offer "similar benefits" but the products are not similar. Credit protection products provide just enough coverage to cover the loan, regardless of health issues, and at a comparatively low monthly cost.

We ask that the Board remove the statement from the proposed disclosure.

- **"You may not receive any benefits even if you buy this product."**

The statement suggests that the purchase of a credit protection product is a waste of money, if a benefit is never paid. However, this suggestion is very misleading, because the value of the protection remains undiminished, whether a benefit is collected or not. Insurance and other protection products are always purchased with the hope that the covered event never occurs.

We also object to the requirement to bold and underline this inflammatory statement. The presentation inappropriately emphasizes an already misleading statement.

We believe that the Board intends to inform the consumer that there are eligibility requirements, conditions and exclusions that could prevent him from receiving benefits under the credit protection product. We concur with that intention, but believe that the idea could better be conveyed with more specific language and without the frantic tone of the proposed disclosure.

We suggest that the language required by the OCC in 12 CFR 37 is adequate for this purpose, and recommend its use as a more reasonable alternative. The language is: "There are eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under [PRODUCT NAME]. You may find a complete explanation of the eligibility requirements, conditions, and exclusions in paragraphs ___ of the [PRODUCT NAME] agreement."

This language more effectively conveys the necessary information without being alarming or recommending against the purchase of the product. We propose that the Board remove the statement and replace it with the OCC's required credit protection product disclosures.

Finance Charge Calculation

We are opposed to the inclusion of fees and premiums for voluntary credit protection products in the finance charge. By definition, the finance charge is the cost of consumer credit as a dollar amount. It includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to

or a condition of the extension of credit. The fees and premiums for voluntary credit protection products should continue to be excluded from the finance charge. If voluntary, the products are not part of the cost of credit, whether or not the coverage is written "in connection with a credit transaction."

Applicability of paragraph 226.4(g). We question whether and how Section 226.4(d)(4) is included in the special rule for closed-end mortgage transactions in 226.4(g).

Paragraph (g) specifies that paragraphs (c) through (e) do not apply to closed-end mortgage transactions, "other than" certain paragraphs. However, there isn't an "other than" eliminating (d)(4) from the exclusion, as there is for (d)(2), and there isn't an "except as provided in" within proposed (d)(4), as there is in proposed (d)(1) and (d)(3). As a result of these technical differences, we are uncertain whether paragraph (d)(4) applies to closed-end mortgage transactions.

Phrasing of paragraph 226.4(g). This paragraph is worded in a very confusing way. It gives a list of paragraphs cataloging fees that must be included in the finance charge (in certain situations) or may be excluded from the finance charge (but only if certain conditions are met) and states that certain of these paragraphs do not apply to certain loans. But then the paragraph goes on to list other specific paragraphs that are exceptions from the exclusion. Only by reading the proposed regulation in conjunction with the Supplementary Information contained in two separate Proposals (August 26, 2009 and September 24, 2010) are we able to understand what we think the Board intends.

We are concerned that the Proposed Regulation (even if all the proposed paragraphs from both Proposals were presented in one place) is not sufficiently clear about what may be excluded from the finance charge. We recommend that an attempt be made to present paragraph 226.4(g) and the paragraphs affected by it more clearly and concisely. We do not offer alternative language because we are not convinced we fully understand the intended requirement.

§226.4(d)(4) Telephone purchases. This paragraph says that the disclosures under paragraph (d)(1)(i) or (d)(3)(i) must be made orally, and the disclosures must be mailed within 3 business days. It also requires us to maintain evidence that the consumer affirmatively elected to purchase the insurance or coverage. However, the telephone requirements don't incorporate by reference the requirement for the creditor to determine, prior to or at the time of enrollment, that the consumer meets any applicable age or employment eligibility criteria for the coverage. These are found in (d)(1)(ii) and (d)(3)(ii) but are not referenced in paragraph (d)(4). What are the Board's intentions regarding prior determination of eligibility as it relates to telephone purchases?

Comment 226.4(d) –1. This comment appears to include a technical error. Reference is made to §226.**2**4(g); however, we assume the reference should be to §226.4(g) regarding the exceptions from the exclusions from the finance charge for closed-end mortgage transactions, as proposed on August 26, 2009.

Advertising Rules

§226.16(d)(6)(i)(B) Promotional Payments. We are opposed to the revision to this section that would designate all advertisements of interest-only payments on home equity plans as advertisements of promotional payments. It is not logical that a payment derived by applying the current index and margin would be considered a promotional payment.

It is true that interest-only payments must require either amortizing payments or a balloon payment at some point. Our HELOCs do not have a separate repayment period with amortizing payments, but do have a balloon payment at the end of the plan.

We are not opposed to the clear and conspicuous disclosure of an assumed balloon payment in HELOC advertisements involving interest-only payments. However, we are opposed to the disclosure of a full payment stream, including balloon payment, in a manner that is equally prominent and in close proximity to each listing of an interest-only payment which has been derived from the current index and margin.

We request that the proposed revision be eliminated.

General concern regarding this Proposal and Request for Comment. We found this proposal difficult to follow, since it affected many of the same areas previously affected by the proposal published on August 26, 2009. Because no final action was taken on that 2009 Proposal, the affected sections of the regulation were unchanged, and the two proposals overlapped and contradicted each other. Both proposals were approximately 200 pages long, but sections affected by both proposals were not presented in full in this 2010 proposal, as we would have preferred. As a result, it was very difficult to read and understand what the total impact of both proposals would be when taken together.

We recommend that, after comments have been taken into consideration, the Board revise the proposal(s) accordingly, and again publish for comment all the affected sections, in one coherent proposal.

Again, we thank you for the opportunity to comment.

Sincerely,

Sherri M. Beam, CRCM
Compliance Officer