July 21, 2011

VIA EMAIL

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington DC 20551
Docket No. R-1417 and RIN No. 7100-A75
Regs.comments@federalreserve.gov

RE: Truth in Lending Act Proposal Regarding Consumers Ability to Repay; Docket No. R-1417 and RIN No. 7100-AD75.

Dear Ms. Johnson:

Premier Community Bank is a community bank located in central Wisconsin. We serve rural communities within our market area. We are roughly $200,000,000 asset size. I have been in banking for 41 years. I am Senior Vice President responsible for operations of the bank. I have been the compliance officer at the bank for 30 years a "hat" I wear along with other operational responsibilities.

As I understand it, the proposal would implement changes that expand the scope of the ability to repay requirement to cover any consumer credit transaction secured by a dwelling (excluding an open-end line of credit, reverse mortgage, or temporary loan). It would also prohibit a creditor from making a mortgage loan unless the creditor makes a reasonable and good faith determination, based on verified and documented information, that the consumer will have a reasonable ability to repay the loan, including any mortgage-related obligations (such as property taxes).

In addition, the proposal would establish standards for complying with the ability to repay requirements, including by making a "qualified mortgage" (QM), and provide a creditor who originates a QM with special protections from liability.

Finally, FRB's proposal would: limit prepayment penalties; require a three-year record retention period of evidence to demonstrate compliance with the rule; and substantially expand penalties and liabilities under TILA.

While I appreciate the difficult task given to FRB, and ultimately CFPB, to implement these statutory requirements, I know that, no matter how such requirements are implemented, they would have an absolute, negative impact on the future availability of mortgage products to our customers. This is due not only to increased compliance costs of implementation, but even more so by the regulatory defined product terms.

We support Congress' intention to establish minimum consumer mortgage underwriting standards. However we stress the need for careful and balanced measures that will allow us to provide mortgage lending options in the future for our consumers.

Following are options we ask you to consider:

Qualified Mortgage Alternatives

FRB's proposal contains two alternatives for protections from liability to creditors that execute a QM. Alternative one (1) would operate as a legal safe harbor if certain loan terms and underwriting criteria are met. Alternative two (2) would provide a creditor a rebuttable presumption of compliance and would define a QM to include criteria under Alternative 1 as well as additional underwriting requirements which must be considered and verified.

I would recommend the adoption of QM Alternative 1, which provides creditors with a legal safe harbor. As the proposal significantly expands TILA penalties and liabilities, (reaching as wide as to assignee liabilities) we believe the protection of a legal safe harbor is paramount for us to have protection from frivolous challenges at every consumer default.

Points and Fees Test

The DFA provides that for a loan to be considered a QM, the total points and fees may not exceed 3 percent of the total loan amount. The proposed points and fees tests (Alternative A: Loan Amount Tiers; and Alternative B: Loan Amount Tier or Formula) are cumbersome. Additionally, under the new TILA amendments, the term "points and fees" for a QM has the same meaning as "points and fees for high-cost mortgages, section 226.32 Regulation Z which implements the Home Ownership and Equity Protection Act (HOEPA).

The inclusion of bank-employee loan originator compensation in the points and fees test will make it nearly *impossible* for our bank to meet the criteria of a QM or not exceed the high-cost mortgage tests. As an example I added the costs of a typical $75,000.00 mortgage, which is a typical sized mortgage for the rural areas we serve. Adding up title insurance, appraisal fee, closing fee by the title company, flood certification, credit report, filing fees for recording and origination fee allows slim margins for then also calculating loan officer's time in the calculation. If the loan needed additional services of inspection, well and septic review etc., the costs would exceed the 3% allowance easily.

Definition of "Rural" Under Balloon-Payment Qualified Mortgage

The DFA contains a provision which would allow for an exception to the definition of QM for a balloon-payment qualified mortgage (BPQM) made by a creditor that meets certain criteria, including that the creditor operates in a predominately "rural" area. Essentially, FRB has defined "rural" as: a county that is not in a metropolitan statistical area or a micropolitan statistical area, and either (1) is not adjacent to any metropolitan statistical area or micropolitan statistical area, or (2) is adjacent to a metropolitan statistical area with fewer than one million residents or adjacent to a micropolitan statistical area, and contains no town with 2500 or more residents.

I am pleased that FRB has exercised its discretion to include balloon mortgages within the general QM category because the balloon payment product is an option we use regularly in our bank. For many of our customers the balloon mortgage is the option they have to finance their homes. Our market area has many customers that do not meet the criteria for secondary market loans.

However, because of the narrowly defined meaning of "rural", our bank would no longer be able to offer the balloon loan type. If the definition is not broadened, it will significantly reduce the number of mortgages we will be able to make. We are truly concerned about our customers and what alternatives they will have without the balloon product.

I respectfully ask that in your consideration of the options available you remember that many of us go to work each day trying to offer the best products for our customers who are our neighbors, friends, and family. We help them find financial solutions that will work for them. Please allow us the tools that will help us do that.

Sincerely,

Patricia A Mielke
SVP