

Commerce Bancshares, Inc.

Compliance Department
922 Walnut Street; Mail Stop TB 12-1
Kansas City, MO 64106

December 16, 2005

Docket Number: R-1217

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

Via e-mail:
regs.comments@federalreserve.gov

Dear Ms. Johnson,

Commerce Bancshares, Inc. is a registered bank holding company with total assets of \$14.3 billion at December 31, 2004, and four bank subsidiaries. Three of these banks are full-service banks, with approximately 190 branch locations in Missouri, Illinois, and Kansas. The other bank is a limited-purpose bank, with one office in Omaha, Nebraska. All of the banks are national banks.

The board has requested comments on specific issues relating to Regulation Z's open-end credit rules. Our responses are listed by Question numbers, as set forth in the advanced notice of proposed rulemaking. In general, we support the attempt to update the regulation, but remind the Board that even good and necessary regulatory changes are extremely expensive for lenders to implement. We recommend that changes to this regulation be approached with caution.

Minimum Payment Disclosure

We need clarification with regard to the toll-free telephone number to provide consumers with information other than repayment information set forth in the "table" issued by the Board. It sounds like there must be a separate phone number used for this purpose and only this purpose. These are types of questions that could arise during routine Customer Service calls. We have concerns that as this statement is written, this function would need to be segregated from other routine Customer Service duties.

Should certain types of accounts and transactions be exempt from the disclosures?

Q59. All home equity lines of credit should be excluded from all minimum payment disclosures. Interest-only products are very standard in the industry and it would not be possible to provide a repayment term for them. We believe the existing account disclosures given at application adequately address this issue.

Q60. The minimum payment disclosure should be optional for consumers who do not revolve and who regularly pay more than the minimum. Definitions and guidelines are needed for "regularly" and how much over the minimum is enough to be considered exceeding it.

Q61. The portion of the plan attributable to these features should be excluded from the minimum payment disclosures. We are looking into a product change to our home equity line of credit that will allow for fixed rate and payment amortization, which will pay off in a set number of months, which should be excluded from the minimum payment disclosure.

For plans with no pre-set spending limit and restrictions on the portion of the line that can revolve, we also recommend that the minimum payment disclosure be limited to the revolving portion of a plan. For example, the plan allows for as much as \$25,000, only \$5,000 of which can revolve.

Hypothetical examples for periodic statements

There needs to be hypothetical examples that use the new OCC required minimum payment of 1% plus fees and finance charges. The OCC assert that it will take 20 years to repay \$5,000 at this level of minimum payment. The minimum payment examples do not take into account an interest only payment type, which in the long run will never be paid off. As you know the HECL disclosures already give a minimum payment example, which clearly indicates that the balance will still be owed at the end of the 10-year commitment.

Q62. We recommend using the average interest rate, as determined by the Board, on accounts that are assessed interest and adjusting it periodically.

Q63. Current up-front and periodic statement disclosures for real estate secured lines of credit are sufficient. The up-front disclosures provide an example that tells the customer how long it would take to pay off the line if only the minimum payment is made. Additional disclosures are not needed, particularly since as said earlier, it is common industry practice to have interest only home equity loans.

Q64. We prefer to use the term "example" rather than "typical". This may or may not be representative of the actual account terms.

What assumptions should be used in calculating the estimated repayment period?

Q65. We agree with the assumptions stated earlier. The balance calculation seems as if it would understate accrued interest for those who use the daily method with compounded interest. The grace period assumption would work for credit cards but because home equity lines of credit generally do not have a grace period, this assumption would not work for them. Also, regarding residual interest it is common for home equity lines of credit to charge residual interest.

We prefer the second approach for developing a system to calculate estimated repayment periods for consumers who call the toll-free telephone number.

How should the minimum payment requirement and APR information be used in estimating the repayment period?

Q66. As stated above, we believe home equity loans should be exempt from the new minimum payment requirements and that for plans with no pre-set spending limit and restrictions on the portion of the line that can revolve, we recommend that the minimum payment disclosure be limited to revolving portion of a plan. Other than that, we agree a typical formula for various account types make sense.

Q67. The 1% plus finance charges and fees, with a minimum payment of \$20, would be representative for credit cards.

Q68. Yes, creditors should be given the option, but not required, to use our own minimum payment formula. There would be no additional cost to us because we already did the programming required in anticipation of the California law change a few years back.

Q69. The Board should use a formula assuming a typical minimum payment and no negative amortization. The Board should allow creditors to use different formulas, whether or not the minimum payment allows negative amortization. If negative amortization is possible, the Board should require creditors to make a general statement to the effect on the monthly statement.

Q70. 5% of our accounts with balances are accruing finance charges at more than one rate; of them, 50% are accruing at the lower rate and 50% at the higher rate. Also, industry trend is to list the average daily balance for each type of balance data.

Q71. Using a single APR would limit the usefulness of the repayment information, since introductory and solicitation rates are so commonly used and it is not possible to set accurate standards for which portion of an account is subject to which rate.

Q72. The idea presented in sentence two that would give a range of repayment periods seem like the most practical option.

Q73. We have no comment.

Q74. Creditors should be given the option of providing customers their specific repayment period. Our vendor was unable to provide a cost estimate of this change without more detail regarding the requirements.

Q75. It is reasonable to assume that payments are allocated to the lower-rated balances first.

What disclosures do consumers need about the assumptions made in estimating their repayment period?

Q76. It is advisable to disclose to the customer all assumptions made when determining the repayment period. The assumptions should be included with each monthly statement, but do not need to be located near the repayment information, and with each phone call. Model clauses would be helpful.

Option to provide the actual number of months to repay the outstanding balance.

Q77. The Board should consider safe harbors. The Board should deem the creditor has provided an actual repayment period if done in accordance with the Board's standards. Yes, creditors should be permitted to use the Board's assumptions, whether or not they match the consumer's account terms.

Q78. Yes, a tolerance should be adopted. At this point, we have no experience in this area so perhaps it makes the most sense to wait at least two years after enactment of these rules to do so.

Q79. No, this information is not available in our system. Our vendor was not able to provide us with cost estimates since they need more specifics about the requirements to do so. We have no suggestions for additional alternatives.

Are there alternative approaches the Board should consider?

Q80. We have no opinion at this time.

Q81. We offer a web-based calculator for our home equity e of credit, consumer loans, and mortgage loans at this time. It would take re-programming for it to be able to provide repayment periods for credit cards.

Q82. Creditors should be allowed to disclose the repayment information on periodic statements; if they choose to do so, they should be exempt from the requirement to provide a toll-free number. Additional programming would need to be done to provide the repayment information. Providing this information will increase the size and complexity of statements and could possibly make them more difficult for the customers to understand.

What guidance should the Board provide on making the minimum payment disclosures "clear and conspicuous?"

Regarding clear and conspicuous, no additional guidance beyond the requirements of the Bankruptcy Act is necessary.

Q83. No additional guidance is needed. Type size and location requirements are not needed.

Q84. The Board should consider examples of periodic statement disclosures.

Introductory Rate Disclosures

Q85. Size requirements are not needed.

Q86. It is sufficient for the term to immediately precede or follow the APR.

Q87. The Board should allow creditors to use their judgment when determining what comprises the first mention of an introductory rate.

Q88. No guidance is needed.

Q89. The Board should say it is sufficient for the term to immediately precede or follow the APR.

Q90. The Board should allow a range of rates to be listed, with an explanation that the actual rate will be determined based on creditworthiness.

Q91. No additional guidance is needed.

Q92. We have no comment.

Internet Based Credit Card Solicitations.

Q93. We have no comment.

Q94. We have no comment.

Q95. Existing guidance is sufficient.

Q96. Existing guidance is sufficient.

Disclosures Related to Payment Deadlines and Late Payment Penalties

Q97. Many creditors allow customers a few days after the payment is due before assessing late charges.

Q98. No guidance is needed regarding placement. The Board should provide example language.

Q99. Creditors should continue to be allowed to establish reasonable cut-off hours. Additional disclosures are not needed.

Q100. No, additional disclosure are not necessary.

Q101. None at this time.

Disclosures for Home-Secured Loans that May Exceed the Dwelling's Fair-Market Value.

Q102. These disclosures should be required across-the-board for these products, just as the tax adviser disclosure is, and not be tied only to the specific transactions where they could apply since future conditions could make them applicable.

Q103. Refer to our response to question 102.

Q104. No additional guidance is needed. Model clauses would be helpful.

Q105. Refer to our response to question 102.

Prohibition on Terminating Accounts for Failure to Incur Finance Charges.

No comment on this topic. We do on occasion close accounts for inactivity but the law contemplates and allows that.

Thank you for providing the opportunity to comment.

Sincerely,

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