

COMMUNITY NATIONAL BANK

POST OFFICE BOX 130 HONDO, TEXAS 78861 (830) 426-3066 METRO 741-3066

TAD WOOTEN
CEO, Vice Chairman

March 14, 2008

Comptroller of the Currency
Independence Square
250 E St., S.W.
Washington, DC 20219

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

Proposal: Regulation Z-Truth in Lending
Document ID: R-1305
Release Date: 12/18/07

To Whom It May Concern:

After reviewing the proposed rule to amend home mortgage provisions of Regulation Z, it is our belief that the passage of this rule will disenfranchise many consumers as they attempt to obtain financing, especially in the under \$80,000.00 range, for purchase-money loans and improvement loans on primary residences.

In the rural areas of Texas and I am sure in other parts of the nation, there are homes that still sell for prices under \$80,000.00 and there are certainly home improvement loans requested that are well under \$80,000.00. Community Banks such as ours fill a niche by being willing to originate these smaller home purchase and home improvement loans, since most mortgage lenders are not willing to make such small loans.

We do not sell such small loans on the secondary market. We keep and service these smaller loans that we originate. Our real estate loan program offers a 15-20 year amortized loan with a 5-year balloon. We do not charge any points, origination fees or other loan fees on such home loans; although normal third-party closing fees for title

insurance, attorney fees, appraisals, etc. are paid by the borrower. We normally require between 5% to 20% cash down payment from the borrower on a purchase loan. The interest rate that will be charged on these loans may exceed the three percentage points on first liens and the five percentage points on subordinate lien loans as defined in the proposed regulation. Our first lien loans are going to be priced closer to five percentage points above the yield on Treasury securities of comparable maturity and six percentage points above on subordinate-lien loans.

We do not escrow for taxes and insurance on any of our real estate loans and the thought of having to implement an escrow system and dealing with all of the regulatory issues is certainly not appealing.

State and federal regulators through the years have encouraged us to make loans in our community that promote homeownership and that provide funds for home improvements, but the passage of the proposed rule to amend Regulation Z will most likely cause the opposite effect.

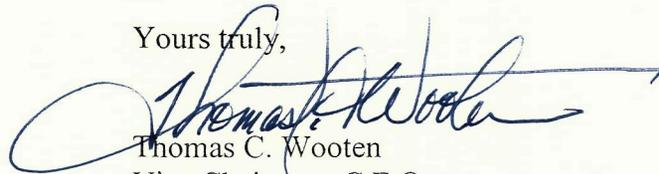
We will make, combined, approximately thirty purchase money and home improvement loans of under \$80,000.00 in an average year. If we choose to no longer offer loans that would be considered "higher-priced mortgages" under the proposed rule then thirty families probably will not be able to purchase a first home, add a room or replace a broken septic system.

In the whole scheme of things, thirty loans that may not get made seems pretty insignificant except in a small community and to the thirty families that will not receive a loan.

I have a difficult time seeing how the loans that I have described above could be considered sub-prime or "higher-priced mortgages". I advocate an exclusion from the proposed rule to amend Regulation Z for all loans that are \$80,000.00 and under that are secured by the borrower's primary residence. The exclusion of loans under \$80,000.00 would still provide protection for consumers that will continue to get true sub-prime loans, and it will provide an incentive for a bank like ours to continue to serve our customers in need of smaller loans. I am quite certain that the regulation, if enacted as proposed, will have an adverse impact on customers of modest means.

Thank you for your consideration.

Yours truly,

A handwritten signature in blue ink, appearing to read "Thomas C. Wooten", with a large, sweeping flourish extending to the right.

Thomas C. Wooten
Vice Chairman, C.E.O.