

JOHNSON BANK,

March 28, 2008

Jennifer J. Johnson
Secretary, Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, northwest
Washington, D.C. 20551

Re: Regulation Z - HOEPA and Other Related Matters
FRB Docket No. R-1305

Dear Secretary Johnson:

Johnson Financial Group is a \$5-billion financial holding company headquartered in Racine, Wisconsin, operating through several affiliated companies primarily in the states of Wisconsin and Arizona. Our product/service lines include banking, trust, and investment services (Johnson Bank), an insurance agency (Johnson Insurance Services, L L C), and branded brokerage and charge card services (with joint marketing partners).

Johnson Financial Group recognizes the effort of the Federal Reserve Bank for its work in attempting to facilitate consumer protection of initiatives, in particular when consumers participate in the residential home loan market. While such efforts have the goal of advancing the ability of consumers to understand and obtain a mortgage loan, we believe the proposal has a number of elements that will create an excessive undue compliance burden on community-sized federally insured financial institutions, ***those that are not at the root of the problem!*** It is time to broaden the scope of regulatory oversight to ALL participants in the marketplace, not expand the burdensome requirements for those who are already under constant regulatory scrutiny and examination.

Definition of "Higher-priced Mortgage Loan"

The proposed definition of "higher-priced mortgage loans" is most troubling. We believe that the thresholds are too low and do not achieve the desired regulatory objective to increase oversight of the subprime market while generally excluding traditional

mortgage loan markets. The following tables summarize our bank's data for 2006 and 2007, based on the reportable rate spread required by H M D A:

2006 - 3,171 lines of H M D A Data (Originations Only)

Rate Spread %	Mortgage Loan 1 st Lien	Retail Loan 1 st Lien	Retail Loan Junior Lien	TOTAL
Greater Than or Equal to 5%	0	1	6	7
Greater Than 4%, but Less Than 5%	1	5	0	6
Greater Than 3%, but Less Than 4%	47	16	0	63
Total	48	22	6	76

2007 - 3,476 lines of H M D A Data (Originations Only)

Rate Spread %	Mortgage Loan 1 st Lien	Retail Loan 1 st Lien	Retail Loan Junior Lien	TOTAL
Greater Than or Equal to 5%	0	4	2	6
Greater Than 4%, but Less Than 5%	1	5	0	6
Greater Than 3%, but Less Than 4%	42	6	0	48
Total	43	15	2	60

Please note that we have divided first mortgage loans into 2 sub-groups, traditional purchase money or refinance thereof, labeled "Mortgage Loan 1st Lien" and what we call "accidental 1sts," those where the borrower is securing a loan for a purpose *other than* purchase money or refinance thereof, for example, a \$20,000 traditional installment loan to do some home repairs and maybe buy a vehicle. Because the real estate/home is currently free and clear, the mortgage the bank takes to secure the loan is by default ("accidentally") a first lien thus subjecting the loan to the more restrictive rate thresholds.

We strongly encourage the adoption of a standard of a **minimum** of 4 percentage points as referenced in the proposal (and argue that 5% would be most appropriate) **AND** the creation of an exception for "by default" first liens as described above. Based on our historical data, this would remove from these requirements all but 7 loans from the 2006 data and 3 loans from the 2007 data. I can assure you that for these very limited numbers, the bank would make adjustments to the loan terms to ensure that do not meet the thresholds, rather than build a compliance program to obtain the higher rates.

In addition, the 5 percentage point standard would provide a reasonable cushion so that during periods where market conditions drive rates to unsustainable low levels, lenders in the "A" credit" loan market would not be trapped by a rule unintended for them. This again, is of particular concern to community banks that often hold some portion of their mortgage loan portfolio in the form of in-house notes ranging from 1 to 3 years in length.

If a 3% point threshold is established, we would likely choose not to provide loans (a course of action we have already taken under today's HOEPA "points and fees" standards) rather than meet these requirements. The net result of this action would be 126 (76+60-10) less loans made in our community by a reputable lender, and more than likely, made by a non-reputable lender (the exact scenario that got us to this point in time).

Requirement for Detailed Loan Documentation

Johnson Bank currently has 28 mortgage loans out of 19,973 (as of February 29, 2008) loans serviced in foreclosure status. These results, combined with the constant and consistent message from our Federal Reserve Bank Examination team of creating and implementing risk-based and flexible management processes consummate with the skill level of bank management, lead us adamantly oppose strict cookie-cutter rules for assessing the borrower's ability to repay, verification of income and assets, and the establishment of required escrow accounts. For a bank with sound risk-based management processes, these requirements simply add a burden and cost to the bank that is ultimately paid for by the client and do not represent the flexibility often touted by the F R B. Again, the people most in need ultimately will be paying a higher price (as all costs, whether they add value to the loan underwriting process or not, are factored into the final price (interest rate) offered to the loan applicant).

Advertising Rules

While we fully support true and accurate advertising, we remain very troubled by aspects of the advertising rules.

First, the rules, while applicable to traditional electronic media such as radio and television, are totally ineffective. For community banks that cannot afford media buys in major media markets, it is extremely troubling to see home loan ads that are unscrupulous and misleading at best. The general sales pitch/presentation segment of a commercial often does not reflect the true loan terms and conditions and is then followed by a micro-second ending, with a disclosure of micro-size font, filling the page that even the best freeze frame equipment can not capture. Even if it could, it might take a 54" screen to enlarge the information to a size that it could be deciphered and read.

Secondly, while we appreciate the attempt to define clear and conspicuous, who is going to enforce this standard for non-federally insured financial institutions and the national home loan players? Our fear is that where the rules will be enforced is against community banks attempting their best, within a complex rule set, every year during the regular compliance examinations. Again, how do we address where the market abuse really resides? We do not believe it is in already heavily examined community banks.

Timing of Disclosures

We adamantly oppose the expansion of early disclosure requirements to **all** closed-end loans secured by a consumer's principal residence. For "A" credit borrowers the competition in the market place drives product pricing and fees. The addition of this disclosure, for what is a fairly basic straight-forward transaction, will not be the catalyst to change a consumer's behavior to make additional shopping inquiries to other potential lenders.

If the Federal Reserve feels obligated to move this portion of the proposed rule forward, we strongly recommend that it be limited to loan products and scenarios that meet the definition of "higher-priced mortgage loans" or HOEPA.

"Presumptive Violation"

We object to the proposed provision regarding "presumption" that a creditor has violated section 226.34(a)(4). This provision by its very nature seems to violate a basic tenet in our country that you are innocent until proven guilty.

Need to Coordinate with HUD, Their RESPA Proposal, and Others

We strongly encourage the Federal Reserve to partner and coordinate with the other Federal Agencies in their efforts to amend their regulations that focus on consumer real estate lending. Congress mandated these efforts in the late 1990's. It is imperative that banks receive one set of clear, coordinated, and consistent new regulations with uniform implementation timelines and dates with the goal of minimizing the burden of compliance and impact of change to banks, particularly community banks.

Thank you for the opportunity to comment on this proposal.

Sincerely, signed

John R. Topczewski
Vice-President/Corporate Compliance Officer

cc: Richard A. Hansen, President and C E O, Johnson Financial Group
Kurt Bauer, Executive VP, Wisconsin Banker's Association