ICBA
INDEPENDENT COMMUNITY BANKERS of AMERICA

April 8, 2008

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

Re: Docket No. R-1305

Dear Ms. Johnson:

The Independent Community Bankers of America (ICBA)[1] welcomes the opportunity to comment on the Federal Reserve's proposed amendments to Regulation Z, which implements the Truth in Lending Act and the Home Ownership and Equity Protection Act.

The Federal Reserve's goal in proposing the amendments is to protect consumers in the mortgage market from unfair, abusive, or deceptive lending and servicing practices while preserving responsible lending and sustainable homeownership; ensure that advertisements for mortgage loans provide accurate and balanced information and do not contain misleading or deceptive representations; and provide consumers transaction-specific disclosures early enough to use while shopping for a mortgage.

The proposed revisions would apply protections to a newly-defined category of higher priced mortgage loans secured by a consumer's principal dwelling, including a prohibition on a pattern or practice of lending based on the collateral without regard to consumers' ability to repay their obligations from income, or from other sources besides the collateral. The proposed revisions also would apply new protections to mortgage loans secured by a consumer's principal dwelling regardless of loan price, including a prohibition on a creditor paying a mortgage broker more than the consumer had agreed the broker would receive. The Federal Reserve also proposes to require that

---

[1] *The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 18,000 locations nationwide and employing over 268,000 Americans, ICBA members hold more than $908 billion in assets, $726 billion in deposits, and more than $619 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

INDEPENDENT COMMUNITY BANKERS of AMERICA *The Nation's Voice for Community Banks*
1615 L Street NW, Suite 900, Washington, DC 20036 ▪ (800)422-8439 ▪ FAX: (202)659-3604 ▪ Email: info@icba.org ▪ www.icba.org

advertisements provide accurate and balanced information, in a clear and conspicuous manner, about rates, monthly payments, and other loan features; and to ban several deceptive or misleading advertising practices, including representations that a rate or payment is "fixed" when it can change. Finally, the proposal would require creditors to provide consumers with transaction-specific mortgage loan disclosures before they pay any fee except a reasonable fee for reviewing credit history.

Summary of ICBA Views

ICBA strongly opposes predatory lending practices and believes these practices should be stopped. We support efforts by the Federal Reserve to address unfair, abusive or deceptive practices undertaken by segments of the residential mortgage lending industry that have caused some of the most serious housing sector problems this nation has experienced in decades. Clearly, many homeowners and communities are suffering as a result of the unconscionable practices conducted by some lenders.

However, ICBA objects in the strongest manner to elements of the proposed elements that will define and taint as "higher priced" loans the traditional loan products community banks across the country have offered in a completely responsible manner for many years. These primarily are prime (often balloon) loans that they hold in portfolio and have a direct and continuing interest in their satisfactory performance.

Community banks have not engaged in irresponsible lending and underwriting. They are common sense lenders who help borrowers find a mortgage that is affordable and right for them. While too many lenders have been concerned about which loan is best for them, community banks are concerned with which loan is best for their customer. They want to help their customer not just buy a home, but be financially able to keep it.

We strongly object to elements of the proposal that punishes community banks that have behaved properly in their lending practices. If the Federal Reserve goes forward with these elements, it will make good loans less available and sends a message to community banks that there is no difference between responsible lenders and irresponsible lenders as all are treated the same—the good are punished with the bad. Borrowers and communities will suffer too, as many community banks will be forced to stop making residential mortgage loans due to regulatory constrains and burdens.

We urge the Federal Reserve to limit the application of this proposed rule to subprime and nontraditional loan products and ensure that it does not also apply to prime loans. The proposed definition of higher-priced mortgage is so constraining that it would include traditional community bank portfolio loans regardless of credit quality, as discussed further below. Community banks have avoided making "higher priced" or "HOEPA" loans as currently defined and will avoid making them under the much more stringent definition proposed by the Federal Reserve. The result will be less credit available in an already tight credit environment. The definition should be narrowed and better tailored to those loans that have caused problems; as proposed it is far too broad.

Proposed Definition of Higher Priced Mortgage Loans

The Federal Reserve is proposing protections for consumers receiving higher priced mortgage loans. These loans would be defined as consumer-purpose, closed-end loans secured by a consumer's principal dwelling and having an annual percentage rate (APR) that exceeds the comparable Treasury security by three or more percentage points for first-lien loans or by five or more percentage points for subordinate-lien loans.

While the Federal Reserve says that it seeks to set the protection triggers at a level that would capture the subprime market but generally exclude the prime market, that will not be the result. Rather, both prime and subprime loans will be considered “higher priced” loans by the proposed definition, in our view. This is a particular problem, given the current interest rate environment where spreads between average mortgage rates and comparable Treasury security rates are historically wide.

The Federal Reserve proposes several ways to determine which Treasury security to match against loans. Variable rate loans with an initial fixed rate period of more than one year would be matched to Treasuries having a maturity closest to the length of the fixed rate period (unless the fixed rate period exceeds seven years in which case the creditor would use rules for non-variable rate loans); variable rate loans with an initial fixed rate period of one year or less would be matched to Treasury securities having a maturity of one year; fixed rate loans would be matched on the basis of the loan term in the following way: if the term is 20 years or more, a 10 year Treasury would be used; a loan with a term of more than 7 years, but less than 20 years would be matched to a 7 year Treasury; a fixed rate loan with a term of 7 years or less would be matched to the Treasury security with a maturity closest to the term.

While comparing rates on loans with Treasury securities of similar maturity may work on some loans, particularly loans sold into the secondary market, loan rates on mortgages that community banks hold in portfolio do not necessarily relate to rates on Treasury securities. Often these loans are priced based on the prime rate, not Treasury rates. Community banks are likely to be funding these loans with deposits that can be priced depending on the bank’s need for funds rather than fluctuations in the Treasury markets. Community banks have provided ICBA examples of their current product APRs as compared to the closest Treasury maturity and the result is that the difference is well over 3 percent on first-liens currently. The proposed APR for subordinate liens is similarly problematic.

For example, one banker told ICBA that his bank was charging 6.75 percent for 3-year balloon mortgages, amortized over 15 or 30 years, that would be held in portfolio, whereas the similar maturity Treasury was slightly over 2 percent, a difference in rate of nearly 5 percent. These are loans with 20 percent down, where the borrower has a good credit score and adequate income to pay principal, interest, insurance and property taxes. Other community bankers reported similar pricing on these types loans that cannot be sold to the secondary market. But it is not just community banks that will find many of their loans considered “higher priced,” triggering the proposed increased protections. Interest rates for conforming mortgages widely quoted on financial websites show that APRs of 30-year fixed rate loans come close to the proposed limits and prime jumbo loans, if available, are quoted four to six percent over similar maturity Treasury securities.

In our view, setting APRs triggers at three or more percentage points for the first-lien loans or five or more percentage points for subordinate-lien loans simply does not reflect the realities of the residential mortgage market or how community banks price and fund their portfolio loans. Community banks tell ICBA that six percent for first-liens and eight percent for subordinate-lien loans would be more workable protection levels. Unless, the Federal Reserve changes the propose percentage triggers, community banks and other responsible lenders will severely curtail their mortgage lending, exacerbating the current credit crunch.

Prohibitions for Higher Priced Loans

For higher priced loans, the Federal Reserve proposes to prohibit creditors from engaging in a pattern or practice of extending credit without regard to borrowers' ability to repay from sources other than the collateral; require creditors to verify income and assets they rely upon in making loans; prohibit prepayment penalties unless certain conditions are met; and require creditors to establish escrow accounts for taxes and insurance, but permit creditors to allow borrowers to opt out of escrows 12 months after loan consummation.

Income Documentation

The proposed rule would contain a safe harbor for creditors who fail to verify income before extending credit if the amounts of income or assets relied on were not materially greater than the creditor could have verified when the loan extension of credit was consummated. This would cover cases where the creditor's failure to verify income would not have altered the decision to extend credit or the terms of the credit. It is standard practice for community banks to ensure that a borrower has the income needed pay principal and interest payments on a timely basis. ICBA in general supports these provisions but suggests that "material" should be clarified to ensure that banks and examiners have a clear understanding of what this variance can be.

ICBA believes that stated income loans have been used inappropriately in some cases and supports clear disclosure to the borrower of the loan type, terms and income claimed. Stated income loans should not be used casually, but limited to specific situations for particular borrowers, such as the self employed or borrowers who do not file traditional income tax forms. We support clear disclosure to the borrower specifying the type of loan, the income claimed on the application and informing the borrower that they have the option to fully document their income, which may produce better loan terms.

Lenders must take particular care to ensure full understanding of a subprime borrower's payment ability. ICBA supports the requirement that lenders underwrite loans to the fully indexed rate and fully amortize payments. As an industry, community banks generally are conservative underwriters and it is common practice for community banks to test a borrower's repayment ability under various repricing scenarios. As part of conservative underwriting, community banks consider the borrower's ability and willingness to repay the loan. The bank will consider sources of income, current debt and loan repayment history. The lender should make a determination that the borrower can afford the property, has enough income to make monthly payments, can make regular payments and has a history of repaying borrowed money.

The proposed rule requires creditors to verify the income and assets they rely on with third-party documents that provide reasonably reliable evidence such as W-2 forms, tax returns, payroll receipts, or financial institution records. The Federal Reserve states that it intends the rule to be flexible and appropriately balance costs and benefits. ICBA agrees with this requirement; community banks readily obtain and use information from such sources for income verification.

Escrows

The Federal Reserve proposes to make escrow accounts mandatory on first-lien higher-priced mortgage loans and permit, but not require, creditors to offer borrowers an option to cancel escrows twelve months after consummation. ICBA is not opposed to requiring tax and insurance escrows for subprime loans, though we have concerns that this may result in added operating costs for small lenders. In many cases, community banks do not require escrows for loans they hold on their books due to the cost of establishing and maintaining an escrow service. We are strongly opposed to the requirement that escrow accounts be established for *all* loans and it appears this would be the case for community bank portfolio lenders if the Federal Reserve were to go forward with its definition of "higher priced" loans. The careful underwriting practices that community banks use make it far less likely that their borrowers will be unable to pay taxes and insurances costs in addition to principal and interest payments, barring unforeseen situations that may occur once the loan has been made.

Requiring escrow accounts for all loans, including prime loans, is neither necessary nor desirable. Banks need lending flexibility in situations where the timing of a borrower's income makes monthly escrow payments unattractive. For example, a borrower with income that depends on an annual commission may not want the monthly burden of tax and insurance escrow payments. A more sophisticated borrower may prefer to keep their monies in an interest earning account and pay their tax and insurance when due. ICBA believes that escrows for tax and insurance on prime loans should not be required and urges the Federal Reserve to limit the requirement to subprime loans.

Prepayment Penalties

The proposed rule would apply existing HOEPA restrictions on prepayment penalties more broadly to the newly defined higher priced loans and on loans whose payments may increase, such as ARMs. In addition, the rule would require that the period during which a creditor may impose a prepayment penalty expire at least sixty days before the first date, if any, on which the periodic payment amount may increase under the terms of the loan.

However, ICBA supports appropriate restrictions on prepayment penalties. Prepayment penalties are not predatory *per se*. These penalties appeal to some customers who do not plan to move from their home for several years and would benefit from the accompanying lower interest rate. Generally, community banks do not write residential mortgages with prepayment penalties, but make them available to borrowers in special situations. Also, for certain types of loans and in certain situations, prepayment penalties can help lenders manage interest rate risk.

ICBA is concerned by large prepayment penalties on subprime loans that restrict refinancing ability. We support clear disclosure of the existence of a prepayment penalty and its terms. We would support limitations on prepayment penalties for adjustable rate mortgages to restrict the duration of the prepayment penalties and ensure that the borrower has the opportunity for penalty-free refinancing before the first rate adjustment. ICBA supports the proposed requirement that prepayment penalties terminate 60 days before the first repayment date. Merely banning all prepayment penalties may raise interest rates and limit product options for certain customers.

Pattern or Practice

The Federal Reserve is not proposing to prohibit making an individual loan without regard to repayment ability either for HOEPA loans or for high priced loans. Instead it is proposing to retain the pattern or practice element in the prohibition and to include that element in the proposed new prohibition for high priced mortgages. The Federal Reserve believes that creating civil liability for an originator that fails to assess repayment ability on any individual loan could inadvertently cause an unwarranted reduction in the availability of mortgage credit to consumers. The "pattern or practice" element is intended to reduce that risk while helping prevent originators from making unaffordable loans on a scale that could cause consumers substantial injury. The Federal Reserve is not proposing to adopt a quantitative standard for determining the existence of a pattern or practice.

We support not applying this prohibition to individual loans. However, all too often community bankers tell ICBA of examiners who will find one or two examples in a loan portfolio and then treat that as a pattern or practice. Therefore, we urge the Federal Reserve to propose and accept further public comment on guidelines for what constitutes a pattern or practice.

Proposed Presumptions

The proposal contains a provision creating a rebuttable presumption of a violation if a lender engages in a pattern or practice of failing to verify and document repayment ability. The Federal Reserve also proposes to establish rebuttable presumptions of a violation for engaging in a pattern or practice of failing to consider consumers' ability to pay based on the interest rate specified, ability to make fully amortizing loan payments that include expected property taxes and homeowners insurance, failure to consider the ratio of borrowers' total debt obligations to income as of consummation or failure to consider the borrowers residual income. The proposal clarifies that the presumption for failing to verify income as well as the proposed new presumptions could be rebutted by the lender with evidence that the lender did not disregard prepayment ability.

A pattern or practice of failing to consider a borrower's repayment ability at the fully-indexed rate also would create a presumption of a violation of the regulations. The regulations would provide that for step-rate loans, failing to consider the borrower's repayment ability at the highest interest rate possible within the first seven years of the term would create a presumption of a violation. Finally, the proposal would provide that a creditor does not violate the regulation if the creditor has a reasonable basis to believe that consumers will be able to make loan payments for at least seven years, considering such factors such as fully-indexed rate and fully amortizing payments and other factors relevant to determining repayment ability.

ICBA does not object to these elements of the proposal. It is especially important, though, for the final rule to retain the ability of lenders to rebut the presumed violations since blanket prohibitions could unnecessarily restrict the availability of credit.

1615 L Street NW, Suite 900, Washington, DC 20036 ▪ (800)422-8439 ▪ FAX: (202)659-3604 ▪ Email: info@icba.org ▪ www.icba.org

Loans with Balloon Payments

The Federal Reserve has asked about imposing restrictions or prohibitions on balloon loans. Many community banks structure the loans that they hold in portfolio as 3- or 5-year balloon loans, typically with 15-30 year amortizations. Community banks use this structure to match the maturity of their deposit base which provides funding for these loans. Generally, these loans are not saleable to the secondary market. Community banks provide this type of loan as a service to their community and it may be the borrower's only credit option. The only way the bank can safely and soundly extend credit is to structure the transaction as a balloon loan, which is generally renewed at maturity.

These are traditional community loan products and should not be considered to be higher priced loans (as would be the case under this proposal) and the Federal Reserve should not prohibit them. To prohibit these loans would force community banks across the country to stop making these loans, resulting in a loss of a valuable source of credit. Balloon payments should be permitted as long as the creditor has a reasonable basis to believe that the borrower will be able to make the payments for the term of the loan.

Other Types of Mortgages Not Covered

The Federal Reserve also proposes to exclude reverse mortgages, construction-only loans and bridge loans from the proposed amendments because it does not see abusive practices in these loans. ICBA supports the exclusion of these types of mortgages at this time. However, we believe that it would be wise to closely monitor the development of the use of reverse mortgages, a market segment that is likely to see strong growth in the years ahead as the population ages. A proactive monitoring of this segment of the industry can help prevent predatory lending practices before problems become widespread.

The Federal Reserve proposes to exclude HELOCs (home equity lines of credit) from the proposed protections because they do not appear to present as clear a need for new regulations as closed-end transactions. Most originators hold them in portfolio and some protections already exist in Regulation Z, and most originators are already closely supervised by the federal banking regulators. ICBA has no objection to the exclusion of HELOCs.

Mortgage Servicer Prohibitions

Mortgage servicers would be prohibited from "pyramiding" late fees, failing to credit payments as of the date of receipt, failing to provide loan payoff statements upon request within a reasonable time, or failing to deliver a fee schedule to a consumer upon request. ICBA has no objection to this prohibition and sees it as a way of protecting consumers from servicers whose primary interest is generating fee income.

Earlier Disclosure

To provide consumers transaction-specific disclosures early enough to use while shopping for a mortgage loan, the Federal Reserve proposes to require that creditors provide transaction-specific mortgage loan disclosures such as the APR and payment schedule for all home-secured, closed-end loans no later than three days after application and before the consumer pays any fee except a reasonable fee for the originator's review of the consumer's credit history. The Federal Reserve says that it recognizes that these disclosures need to be updated to reflect the increased complexity of mortgage products and is beginning to test current TILA mortgage disclosures and potential revisions to these disclosures through one-on-one interviews with consumers. It will address any potential improvements coming from these interviews will be addressed in a separate rulemaking.

Currently, creditors need not deliver mortgage disclosures on non-purchase money mortgage transactions until consummation. However, the Federal Reserve believes that by that time consumers can not make full use of the disclosures. The Federal Reserve proposes to extend the early mortgage loan disclosure requirement for residential mortgage transactions to other types of closed-end mortgage transactions including refinancings, home equity loans and reverse mortgages that are secured by a consumer's principal dwelling. The early mortgage loan disclosure would be delivered before the consumer pays a fee to any person for these transactions. However, there would be an exception for a fee to obtain information about a consumer's credit history.

ICBA recognizes that consumers need transaction-specific early disclosures to promote shopping. While some community banks already have the ability to provide disclosures three days after applications, other will need to change their processing systems which will be burdensome and expensive. Community banks have also asked that they be allowed to charge for appraisals and flood determination fees since credit decisions are also dependent on their outcomes. These fees could be refundable if the application is denied due to credit history.

Creditor Payments to Mortgage Brokers

For the purposes of the proposed rule, a "mortgage broker" is defined as a person, other than an employee of a creditor, who for compensation or other monetary gain, or in expectation of compensation or other monetary gain, arranges, negotiates, or otherwise obtains an extension of consumer credit. The term includes a person meeting this definition, even if the consumer credit obligation is initially payable to such person, unless the person provides the funds for the transaction at consummation out of the person's own resources, out of deposits held by the person, or by drawing on a bona fide warehouse line of credit.

The proposal would prohibit a creditor from paying a mortgage broker in connection with a covered transaction unless the payment does not exceed an amount the broker has agreed in advance with the consumer will be the broker's total compensation. (No restrictions are proposed for creditor payments to their own employees.) The proposal would only restrict amounts the broker retains, not amounts the broker distributes to other settlement service providers. The agreement must also disclose that the consumer will pay the entire compensation, even if all or part is paid directly by the creditor, and that a creditor's payment to a broker can influence the broker to offer the consumer loan terms or products that are not in the consumer's interest or not the most favorable the consumer could obtain.

Some community banks will be considered mortgage brokers according to this definition and thus subject to these prohibitions. ICBA supports disclosing broker compensation to the consumer early in the transaction. However, we recommend that flexibility be allowed in how it is disclosed, either as a flat fee or a limited percentage range. One method may be more appropriate than the other due to size of the loan and the fixed costs involved. We also believe that there should be some level of variance permitted (and explained to the borrower with documentation) as there may be changes in some fees included in the broker compensation that are not in the broker's control.

Coercion of Appraisers

The Federal Reserve proposes to prohibit creditors and mortgage brokers and their affiliates from pressuring an appraiser to misrepresent a dwelling's value, for all closed-end consumer credit transactions secured by a consumer's principal dwelling. The proposed regulation defines the term "appraiser" as a person who engages in the business of providing or offering to provide, assessments of the value of dwellings. It would prohibit a creditor from extending credit if the creditor knew or had reason to know that a broker had coerced an appraiser to misstate a dwelling's value unless the creditor acted with reasonable diligence to determine that the appraisal was accurate.

ICBA agrees that the creditors and mortgage brokers should not be permitted to force appraisers to misrepresent the value of a property. However, this prohibition should be structured to still allow for a creditor or broker to ask for more information or further work on the appraisal to ensure that it is accurate without the action being viewed as pressure to misrepresent.

Servicing Abuses

The proposed rule would prohibit servicers from 1) failing to credit a consumer's periodic payment as of the date received; 2) imposing a late fee or delinquency charge where the only late fee or delinquency charge is due to a consumer's failure to include in a current payment a delinquency charge imposed on earlier payments; 3) failing to provide a current schedule of servicing fees and charges within a reasonable time of request (consumer could be directed to website list); and 4) failing to provide an accurate payoff statement within a reasonable time of request. ICBA has no objection to these prohibitions.

Mortgage Advertising

To ensure that mortgage loan advertisements provide accurate and balanced information and do not contain misleading or deceptive representations, the Federal Reserve is proposing to require that advertisements for both open-end and closed-end mortgage loans provide accurate and balanced information, in a clear and conspicuous manner, about rates, monthly payments, and other loan features. The Federal Reserve also proposes to prohibit seven deceptive or misleading practices in advertisements for closed-end mortgages: 1) advertising "fixed" rates or payments for loans whose rates or payments can vary without adequately disclosing that the interest rate or payment amounts are "fixed" only for a limited period of time, rather than for the full term of the loan; 2) comparing an actual or hypothetical consumer's current rate or payment obligations and the rates or payments that would apply if the consumer obtains the advertised product unless the advertisement states the rates or payments that will apply over the full term of the loan; 3) advertisements that characterize the products offered as "government-supported loan programs," "government-supported loans," or otherwise endorsed or sponsored by a federal or state government entity even though the advertised products are not government-supported or –sponsored loans; 4) advertisements, such as solicitation letters, that display the name of the consumer's current mortgage lender, unless the advertisement also prominently discloses that the advertisement is from a mortgage lender not affiliated with the consumer's current lender; 5) advertising claims of debt elimination if the product advertised would merely replace one debt obligation with another; 6) advertisements that create a false impression that the mortgage broker or lender has a fiduciary relationship with the consumer; and 7) foreign-language advertisements in which certain information, such as a low introductory "teaser" rate is provided in a foreign language, while required disclosures are provided only in English. The Federal Reserve's goal is to ensure that consumers get a true picture of a loan's cost, terms and conditions in advertisements in any form.

ICBA supports these advertising prohibitions. Community banks have often complained to ICBA about the misleading advertising practices that they see used by some mortgage brokers and lenders. They express frustration that advertisements attract a consumer's attention by promises of "too good to be true" mortgage terms. Community banks often complain that these deceptive advertisements lure consumers to products against which community banks as straightforward lenders cannot compete. Community banks believe that truthful advertising helps consumers to understand what a lender or broker is truly offering and it promotes fair competition among lenders and brokers to the benefit of consumers who can better shop for loans.

Proposed RESPA Amendments

The Department of Housing and Urban Development recently published for comment proposed amendments to its RESPA rules that touches on some of the same issues as the Federal Reserve's proposal. We urge the Federal Reserve to work closely with HUD to ensure consistency in any final rules so as not to cause further disruptions in the already troubled mortgage markets. Where different rules compete or create inconsistencies, it unnecessarily adds to regulatory burden and creates confusion for consumers and bankers.

Summary

ICBA strongly urges the Federal Reserve to amend its proposed definition of "higher priced" mortgages as it is too restrictive and will include the traditional, well-underwritten loans made and held in portfolio by community banks. These are loans, often prime loans that have been carefully and responsibly underwritten. Community banks will avoid loans labeled "higher priced" as they have avoided "HOEPA" loan designations. Community banks strongly object to being punished for irresponsible lending practices they did not engage in. Community banks will need to seriously cut back or cease making residential loans if this provision is not amended. As a result, adopting an overly broad definition could unnecessarily constrict credit instead of protecting consumers.

ICBA urges the Federal Reserve not to prohibit or impose restrictions on loans structured with balloon payments that are traditional community banks products. The balloon structure is used to match the maturity of the deposits funding the loan. Community banks carefully underwrite these loans, which may be a borrower's only credit option.

We are strongly opposed to the requirement that escrow accounts be established for <u>all</u> loans and it appears this would be the case for community bank portfolio lenders if the Federal Reserve were to go forward with its definition of "higher priced" loans. Many community banks do not set up escrow accounts for the loans that they hold and such a requirement would be costly and burdensome. We do not believe that escrows are necessary if the loans are properly underwritten to ensure that the borrower has the financial ability to make loan, insurance and property tax payments.

We appreciate the opportunity to comment. If you have any questions about the views expressed in our letter, please contact me at ann.grochala@icba.org.

Sincerely,

Ann M. Grochala

Ann M. Grochala
Director, Lending and Accounting Policy

INDEPENDENT COMMUNITY BANKERS *of* AMERICA *The Nation's Voice for Community Banks*
1615 L Street NW, Suite 900, Washington, DC 20036 ▪ (800)422·8439 ▪ FAX: (202)659·3604 ▪ Email: info@icba.org ▪ www.icba.org