

From: "Mark Smith" <mark@firstmissouri.com> on 03/24/2008 04:05:03 PM

Subject: Regulation Z

We are a small town, rural, mid-western community bank. We are located in one of the lowest income counties in the state. Many of the first mortgage home loans we originate are less than \$75,000 in size (Yes, you can still buy a decent home here for \$50,000 to \$75,000). Because of the relatively small size of these loans, many of them are not eligible for sale to the secondary market and are kept in our own loan portfolio. Therefore, the interest rates are typically higher than the proposed "higher-priced mortgage loan" definition. We have no problem complying with proposed changes 2.a. and 2.b. that have to do with repayment analysis and documentation.

We do have a problem with proposed change 2.c. that would require escrow accounts for taxes and insurance for these loans. This proposed regulation would require us to establish escrow for virtually all of these loans which are made primarily to whom you would define as low and middle income borrowers. The amount of escrow required is not worth the compliance and maintenance costs that the bank has to put forth to manage these escrow accounts. In many cases, the monthly tax and insurance escrow amount is less than \$50 (Fifty dollars) for these homes that have a value of less than \$75,000. Many of the homes we make loans on have property taxes of less than \$400 per year.

Solution: Make "higher-priced mortgage loans" of less than \$75,000 exempt from the property tax and insurance escrow requirement, or give the borrower the option to exercise a waiver of the escrow requirement for first lien loans of less than \$75,000.

This bank is already in compliance with the majority of the changes proposed. This exemption would make the changes easy to adopt and have very little impact on our cost of doing business.

Thank you for your consideration,

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