Commerce Bancshares, Inc.
Compliance Department, TB12-1
922 Walnut P.O. Box 13686
Kansas City, MO 64199-3686

December 23, 2009

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

Delivered via email:

RE: Docket Number R-1366

Dear Sir or Madam:

Commerce Bancshares, Inc. (the Company)is a registered bank holding company with total assets of $17.5 billion at September 30, 2009, and one bank subsidiary. The bank is a full-service bank, with approximately 360 branch locations in Missouri, Illinois, Kansas, Oklahoma, and Colorado and card operations in Nebraska. A full line of banking services, including investment management and securities brokerage are offered. The Company also has operating subsidiaries involved in mortgage banking, credit related insurance, and private equity activities.

We appreciate the opportunity to comment on the proposal to Regulation Z, which implements the Truth in Lending Act (TILA), and the staff commentary to the regulation, as part of a comprehensive review of TILA rules for closed-end credit secured by real property or a consumer's dwelling.

We request that the implementation date for any rule changes that result from this proposal have a final effective date of no less than 18 months after issuance. System vendors play an integral part when changes of this magnitude are made. Ample time is needed by the vendors to identify and make changes to their products and then deliver them to the financial institutions. After delivery, the financial institution needs time to install, test, and identify required changes to processes and procedures. Another time consideration involved is the development and training of staff needed to ensure compliance. Financial institutions have been inundated with regulatory changes in 2009 with direction to implement those changes not being provided until shortly before the mandatory compliance dates. This has created undue time and expense burdens on vendors and financial institutions. An increase in expenses results in increased costs to the consumer and in some circumstances could limit the products that a financial institution can provide, thereby reducing the availability of credit to credit-worthy customers.

Construction and vacant land loans are generally made in the commercial lending area of a bank. Expanding coverage to include these loan types in the requirements for upfront disclosures, re-disclosure, higher-priced mortgage loan rules, and waiting periods prior to closing will require major changes. The systems used for commercial lending generally do not include modules to generate early disclosures, track re-disclosure, and allow for waiting periods (other than rescission). The proposed change will require either purchase of new systems or significant changes to existing ones. Adequate time to test systems, make procedural changes, and train staff will be needed. Again, an implementation period of no less than 18 months before compliance with any final changes becomes mandatory is needed. If the bank does not have adequate time to implement all the components of compliance (technology, systems, procedures, training, and testing), it will have to temporarily halt making construction and vacant land loans until it can comply. Again, this will affect the availability of credit to credit-worthy borrowers.

The early *Adjustable Rate Mortgage* model forms and language are we agree, more consumer friendly. The verbiage in the *Interest Rate and Payment* section of the form appears to be focused on discounted initial rates. The sample verbiage does not translate well when the initial fixed rate period on an adjustable rate mortgage is at either par or premium. We would ask that the model form verbiage be reviewed and language be added to cover the situation when initial rates are at par or premium.

The new Truth in Lending (TIL) disclosure format will require major system modifications and in some cases, the purchase of new systems to generate. Currently vendors are struggling with the changes needed to implement the ever changing RESPA rules. While the change in the form is intended to simplify and provide more meaningful disclosures to the consumer, the actions that will be required to be taken to comply are not simple. Systems will require significant changes to produce information for the new TIL disclosure, not to mention the resulting changes to processes, procedures, and training for staff needed to ensure compliance.

Including the monthly escrow for taxes and insurance in the Total Payments on the TIL disclosure in our opinion only adds to the confusion about what a consumer would be charged by the lender if the loan were kept until maturity. Taxes and insurance amounts are not within the control of the lender or the borrower. We ask that the monthly escrow amounts not be required to be included in the total payment amount.

In addition, the instruction for the APR graph on the TIL disclosure indicates the high cost zone starts at 4% points above the average prime offer rate (APOR). This would not be true for a first lien loan. The higher priced zone for first mortgage loans, should be only 2% higher than the APOR. In our opinion, the directions for completion of this graph should be driven by lien position.

We agree that late fees and similar default or delinquency charges, seller's points, and premiums for property and liability insurance continue to be excluded from the finance charge. We would request that voluntary or optional debt cancellation and debt suspension fees continue to be excluded from the finance charge as stated in §226.4(d)(1). Therefore, we recommend that §226.4(d)(1) also be referenced as being included in the exclusions from finance charge in §226.4(g) for closed end transactions secured by real property or a dwelling. In addition, we ask that clarification be provided on what is considered to be "at time of enrollment" for the purpose of applicability of age and employment in §226.4(d)(iv).

Regulation Z states that the GFE and HUD-1 can be used for the itemization of the amount financed in transactions subject to RESPA. Under the new RESPA rules if the fees and charges are paid outside of closing by the lender, the seller or other third parties, these must be itemized and shown as paid by the borrower, then credits for payments must be shown as a lump sum entry. We request that further commentary be provided in Regulation Z to clarify that the fees and charges paid by someone other than the borrower are not finance charges regardless of the way that RESPA requires them to be shown on the GFE or HUD-1.

The Board should increase the finance charge tolerance from \$100 to \$500, due to the proposed "all in" finance charge definition. We suggest that the tolerance be adjusted annually using a similar calculation as is used for §226.32 loans.

Alternative 2 is our choice for the additional three business day rule. We request that commentary be provided on re-disclosure when the APR is lower than that disclosed in the early TIL disclosure. The addition of §226.19(2)(iv)(A) and (B) limits the circumstances when an APR on the final TIL disclosure could be lower APR than disclosed in the early TIL disclosure and not require re-disclosure. We request the Board provide specific commentary to address an APR on the final TIL disclosure that decreases from the APR on the early TIL disclosure by more than the tolerances stated in §226.22 and whether or not re-disclosure is mandatory. From industry groups and forums we have heard conflicting responses from Federal Reserve Staff on this subject; therefore, written clarification is needed.

In the proposal, evidence of force placed property insurance must be provided to the borrower within 15 days of placement. We request that the commentary provide examples of what would be considered acceptable evidence of force placed coverage.

Prohibiting payments to loan originators based upon terms and conditions in Alternative 2 is the alternative that we would like to see adopted in the final rules. We ask that further commentary be provided on what is covered by "terms" and "conditions," with additional examples of the same.

We ask for more clarification on the optional proposal related to steering before the rules are made final. The condition required by §226.36(2)(3)(i) states "*obtains loan options from a significant number of the creditors with which the originator regularly does business…*" this would not appear to apply to a financial institution that offers only its own products and/or after closing sells a loan to the secondary market. In addition, for subordinate financing, there may be only one closed-end and one open-end product available from the lender. In that case the three options would not be available.

Thank you for the opportunity to comment.

Sincerely,

Sally J. Feistner, CRCM
Compliance Officer