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

RE: Docket Number R-1367

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 open-end home secured credit, or home-equity lines of credit (HELOCs).

1. Effective Date

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. The new early disclosures, account opening disclosures, periodic statement changes and 45-day advance notice to the consumer of changes in terms will require lenders to make major changes. 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 financial institutions. After delivery, the financial institution needs time to install, test, identify and correct software issues arising from the required changes to processes and procedures. If a lender does not have adequate time to implement all the components of compliance with the new rules, it will be forced to limit the availability of open-end credit products to the consumer until it can comply. 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 directions for implementation of those changes not being provided until shortly before the mandatory compliance dates. This has created heavy 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 consumers.

2. Disclosure of Collection Costs

We recommend that any disclosures related to debt collection, collateral protection and foreclosure costs contain only a simple statement that these costs could be incurred when certain conditions are present, rather than any type of itemized list. The costs of collection and foreclosure in any given situation are not known in advance and can vary widely, based on the situation. In addition, collection costs increase as the delinquency and time spent by collectors increases. The lack of certainty about the amount of costs could result in a misleading disclosure.

3. Attachment A - Key Questions to Ask

We suggest that the response to question number 5 of the Key Questions in Attachment A to the proposed regulation be changed to "*If you cannot refinance with your lender, get a loan from a different lender, or pay it off with your savings, you could lose your home*." The lender may consider the consumer for a new loan when the balloon payment becomes due; therefore, our suggested change, adding the reference to a refinance could prompt the consumer to ask if this is an available option.

4. Account Opening Summary Table

The Board has requested comments on whether a lender should be permitted to use the account opening summary table in the early HELOC disclosures. In the box captioned "Borrowing and Repayment Terms," there is a disclosure for the "Length of Credit Plan." At Commerce Bank, we calculate the length of the plan using loan-to-value (LTV) parameters. At the time the early disclosures would be provided, we do not know the value of the property, so we would not be able to make the disclosure. In addition, the borrower is permitted to borrow throughout the life of the loan, so the "borrowing period" and the "repayment period" are not distinct. We request that the Board provide clarification as to how we would make the appropriate disclosures. To avoid customer confusion, we also recommend that the Board enhance the early disclosure by the addition of a statement that it is a good faith estimate and not a binding offer.

5. Timing of HELOC Loan Closings

A HELOC closing within three business days of application is rare. Unlike other open-end products, such as credit card, the processing and underwriting of a HELOC requires the lender to obtain a property value assessment, title search, and flood zone determination. A consumer attempting to refinance an existing HELOC at another institution to avoid a change in terms by the original lender would be required to go through the new lender's underwriting procedures. The amount of time to process the application would vary by institution and by the consumer's individual situation. Whether or not the 45-day advance notice period would permit the consumer to obtain alternative financing cannot be determined.

6. Advance Notice of Rate Changes

We request clarification as to whether the proposed 45-day advance notice of rate changes requirement will apply to existing HELOC accounts.

7. Periodic Statements – Grouping of Fees

If a credit card is used to access a HELOC, the grouping of fees on the periodic statement may be more beneficial to the consumer than if access is limited to checks. Most consumers have limited transaction histories for HELOCs, so we do not think it is necessary to group fees together, provided that the fee is clearly described.

8. Suspensions and Credit Limit Reductions

Currently, the changes that creditors may make to HELOCs subject to §226.5b are limited by §226.5b(f). They include: limitations on the actions that may be taken when customers fail to meet the repayment terms; limitations on temporary suspensions of credit or reductions of credit limits if there is significant decline in property value or material change in the customer's financial circumstances; and limitations on change in terms. The Board should consider that creditors have no incentive to arbitrarily suspend lines of credit or close accounts. Their business is to make loans and they want to make loans that are likely to be repaid. It does not help the customer or the bank if lenders are compelled to make loans that the customer will have to either struggle to pay or be unable to pay. Banks should not be forced to keep HELOCs open or maintain an unwarranted line of credit. We ask the Board not to further restrict the ability of banks to suspend additional credit or close accounts when conditions indicate the customer is likely to struggle to repay, default, or where the current market value of the property does not support additional credit. If lenders do not have the ability to suspend or reduce loan limits where needed, the result will undoubtedly be credits which are adversely classified. The inability to modify HELOCs will cause many lenders to reconsider offering the product and further restrict credit to otherwise credit-worthy borrowers.

9. Suspensions and Credit Limit Reductions - Late Payments of 30 Days

The Board asks for comments on whether a late payment made within 30 days is adequate evidence of failure to pay a debt for the purposes of terminating or suspending additional draws. Most banks do not currently terminate a HELOC and accelerate payment based solely upon the fact that the payment is late by less than 30 days. Suspending additional draws is also not typically based solely upon a late payment. There may, however, be factors other than a late payment which could result in a termination or suspension. The current regulation permits creditors to terminate a HELOC and accelerate the balance if the consumer has "failed" to meet the repayment terms of the agreement for any outstanding balance. We recommend that creditors continue to have this flexibility and not be restricted solely to suspension or termination based only on a late payment of less than 30 days.

10. Suspensions and Credit Limit Reductions - Credit Scores

A credit score may be an indicator of a borrower's ability to repay the debt when the lender initially underwrites a loan. However, once credit has been established, the financial institution does not rely solely upon the credit score but evaluates the borrower's circumstances before reducing, freezing, or terminating a line. To rely on credit scores alone is restrictive and an ineffective measure. We do not believe that expressly permitting or prohibiting reliance on credit scores is beneficial to consumers or banks. We support the idea that financial institutions be permitted to evaluate all of the borrower's circumstances. There are instances where borrowers perform even when credit scores are less than ideal and instances where borrowers do not perform even when credit scores are high.

11. Reinstatement Fees

The Board has requested comments on about whether the amount of reinstatement fees should be disclosed. At the time the customer is notified that a credit line has been reduced or suspended, creditors do not know the exact services required or the actual amount of those charges should the customer request reinstatement. We recommend that any final rule require only notice to the customer including a list of the services that could be required for reinstatement with a range of fees. To do otherwise could result in a misleading disclosure.

12. Reinstatement Requirements

We recommend that the option to require the customer to request reinstatement in writing be adopted, and the proposed change to require on-going monitoring be removed. Monitoring is a costly undertaking for banks and such expense is unnecessary if the customer is required to request reinstatement. Free reinvestigations should be permitted not more than once a year and if the suspension was due to a decline in property value, for an even longer time period (e.g. once every two years) before the consumer is eligible for a free reinvestigation. Property values rise at a slower pace than they decrease and a consumer requesting a reinstatement on a more frequent basis would only result in increase costs to the creditor that ultimately get passed on to the consumer.

13. Reinstatement - Notices of Action Taken

Notices of action taken required under the proposed regulation, together with the existing adverse action notification requirements of Regulation B will be duplicative and confusing to consumers. We strongly recommend that the Board consider combining the requirements of Regulation Z with those of Regulation B so that one notice satisfies both regulations, reduces the paper burden, is less expensive and is less confusing for the consumer.

14. Finance Charge

We agree with the Board’s conclusion that a HELOC should continue to be excluded from the “all in” finance charge definition proposed for closed end credit due to the revolving nature of the product. At no time will the finance charge realistically reflect that will be charged on the line over the life of the loan.

Thank you for the opportunity to comment.

Sincerely,

Sally J. Feistner, CRCM
Compliance Officer