

From: Arthur State Bank, Linda Fowler
Subject: Reg Z - Truth in Lending (Amendments)

Comments:

From: Linda Fowler
Sent: Wednesday, November 10, 2010 9:19 AM
To: 'regs.comment@federalreserve.gov'
Cc: Johnny Fallaw; Danny Cook
Subject: REGULATION Z CHANGES AND REQUIREMENTS Docket No. R-1366

FEDERAL RESERVE BOARD:

We are requesting the Federal Reserve Board give us guidance on how to handle the types of loans listed below. Our software company, due to the lack of directions from the Federal Reserve Board, will not be able to help us comply with the new Regulation Z requirements. We will get only limited support. We will be at risk on the rescindable transactions that could be documented incorrectly. Please respond as soon as possible so that we can understand what to do and also to complete training.

Adjustable rate mortgage (ARM)

When the increase in the interest rate causes the loan term to increase
When the increase in the interest rate causes the amount of the final payment to increase.

Principal reduction loans

Irregular payment

Two phase with different payment frequencies for first and second phase

Negative Amortization Loans for the following circumstances:

The two types of ARMs listed above in this section

Balloon loans where the institution defines the periodic payment

Balloon loans where the institution defines the final payment

FROM WOLTERS-KLUWER: While we understand that banks and credit unions may still choose to offer these types of transactions, there is a risk that these rescindable transactions could be documented incorrectly due to the lack of direction from the Federal Reserve Board. While Arta will continue to allow you to process these transactions, the limitations on support include:

Exclusion of coverage for these transactions under the Wolters Kluwer

Financial Services Limited Compliance Warranty

Completion of the Truth In Lending Disclosure, Credit Insurance Disclosure and Amount Financed Itemization documents as fillable PDF's outside of the lending software.

Sincerely,

Linda S. Fowler
Arthur State Bank