



October 14, 2010

Jennifer J. Johnson  
Secretary, Board of Governors  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, D.C. 20551

**Re: FRB Docket No. 1392 – Higher-priced Mortgage Loans**

Dear Secretary Johnson:

Johnson Financial Group, Inc. ("JFG") is a \$5.0-billion financial holding company headquartered in Racine, Wisconsin, operating through several affiliated companies primarily in the states of Wisconsin and Arizona. Our product/service lines include banking, trust, and investment services (Johnson Bank), an insurance agency (Johnson Insurance Services, LLC), and branded brokerage and credit card services (with joint marketing partners).

The current rule did create some unexpected and unintended consequences. Johnson Bank supports the proposed change, fully understanding that the exception is limited to the escrow account requirement.

We would like to take this opportunity to request that this rule making also address another unexpected and unintended consequence in the same manner. From time to time applications are made for consumer purpose credit, non-purchase money or refinance thereof, and the loan applicant offers to provide a mortgage for collateral. Loans requests like these are processed in a "retail" loan department rather than a "mortgage" loan department. For whatever reason (probably good financial habits of the homeowner), the property is free and clear and no liens or judgments exist. By "accident" the resulting mortgage taken by the bank is a "first" mortgage on the property, even though the loan request is identical in nature and is priced no differently than a loan where the bank would be taking a "second" mortgage on a property. The unintended consequence is that by the very nature of how "retail" loans are priced, scenarios like this typically trip the 1.5% threshold.

We strongly advocate that an additional exception to the 1.5% “first” mortgage threshold be provided for in the regulation to accommodate scenarios as described above to allow the bank to continue to fulfill credit requests for this type of credit.

We strongly encourage the Federal Reserve to provide for this exception.

Thank you for the opportunity to comment on this proposal.

Sincerely,

  
John R. Topczewski  
Senior Vice-President, Chief Compliance Officer

cc: Russell C. Weyers, President and Chief Operating Officer, Johnson Bank  
Kurt Bauer, President and Chief Executive Officer, Wisconsin Bankers Association  
Virginia O'Neill, American Bankers Association