

**Commerce Bancshares, Inc.**  
Audit and Compliance Department, TB12-1  
1000 Walnut St., P.O. Box 419248  
Kansas City, MO 64141-6248

April 14, 2011

**Delivered Via Email: regs.comments@federalreserve.gov**

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

RE: Regulation B; Docket No. R-1408, RIN No. 7100-AD67

Dear Ms. Johnson:

Commerce Bancshares, Inc. ("CBI") is a regional bank holding company with one bank subsidiary, Commerce Bank, N.A. ("Commerce"), and total assets of \$18.5 billion at December 31, 2010. Commerce is a full-service bank with approximately 370 banking locations in Missouri, Illinois, Kansas, Oklahoma, and Colorado and credit card operations in Nebraska. A full line of banking services, including investment management and securities brokerage, is offered. CBI also has operating subsidiaries involved in mortgage banking, credit related insurance, and private equity activities.

We appreciate the opportunity to comment on the Notice of Proposed Rulemaking to amend the model adverse action notices in Regulation B to comply with the new content requirements in Section 615(a) of the Fair Credit Reporting Act added by Section 1100F of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") published in the Federal Register on March 15, 2011.

### **Costs, Compliance Requirements and Changes in Operating Procedures**

Although Commerce is not a "small bank" as defined by the Small Business Administration, the cost to comply with the proposed changes will not be insignificant, and when considered in the context of all recent regulatory changes, whether caused by the Dodd-Frank Act or otherwise, the overall effect of these changes on the economics of the community banking industry is staggering.

System enhancements will be necessary in order to add the credit score data to current adverse action notices and will require a significant amount of coordination between Commerce, its credit reporting agencies ("CRAs") and its processing systems. The new data elements (credit score, range, date of credit score, name of the CRA and key factors)

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will need to be exported from the CRA and imported and populated in our processing systems. In areas (most notably, for first mortgages) where we obtain a three-file merged credit report, we will need to develop procedures to ensure that the credit score used in the credit decision is the one that is disclosed on the new adverse action notice.

The Board estimates that it will take, on average, 16 hours (two business days) to update systems. We believe that estimate is significantly less than the actual time it will take to incorporate the proposed changes into existing adverse action notices and does not include any time for testing, modifying and re-testing.

Although we knew that Section 1100F of the Dodd-Frank Act, when it became law on July 21, 2010, would require credit score disclosures, we could not prepare for system changes until the Board published the model forms on March 15, 2011, eight months after the July effective date. Additionally, although now we can prepare for changes, we cannot make them until the model forms are in final form. We suspect that final rules will not be published until the end of April, 2011 at the earliest. Since the effective date for Section 1100F is July 21, 2011, we will have less than two and a half months to make system enhancements, test them, change policies and procedures and train our employees. We strongly urge the Board to extend the compliance date to allow banks sufficient time to comply with the new rules.

### **Appropriateness of Revisions; Different or Additional Changes to the Model Notices**

Section 1100F of the Dodd-Frank Act does not require the disclosure of the key factors that adversely affected the credit score. We believe that disclosure of the key factors will be confusing to the consumer and will not be of benefit to the consumer. A credit report routinely lists reasons that negatively affect credit scores even for individuals with excellent credit. Banks should not be asked to explain a CRA's credit scoring – that is the job of the CRA. If we are required to disclose key factors, consumers will inevitably contact us with questions or comments about the content or accuracy of the factors. We have no control over that process and should not be put in the position of explaining scoring. Consumers, CRAs and banks would be better served with a general disclosure, similar to the disclosure in the Notice to Home Loan Applicants, that credit scores are affected by various factors and the consumer should contact the CRA, not the lender, to learn what factors affected their individual scores.

We suggest that the language in the model notice be changed to reflect the fact that there are situations where we obtain a credit score, but the application may be denied for other reasons, such as the insufficiency of the collateral. The language “we also obtained your credit score from this consumer reporting agency and used it in making our credit decision” should be changed to “and may have used it.” The consumer would learn his

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or her credit score even if the lender did not use it in reaching the decision to take adverse action.

In conclusion, while we appreciate the value of disclosing a credit score to the consumer, we request that the Board take into consideration the very short time period given to lenders to make significant systems modifications to comply with the new rules, which were not even proposed until eight months after the effective date of Section 1100F, and give lenders an extension of time to comply. We also urge the Board to consider the unintended consequences of requiring lenders to disclose key factors, placing the lender in the middle of a discussion that should be held by the consumer and the CRA, and which is not required by the statute itself.

Thank you for giving us the opportunity to comment.

Sincerely,

Commerce Bancshares, Inc.

Elizabeth D. Reefer, J.D.  
Compliance Officer