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A Welcome Change In Banking

April 5, 2011

Jennifer J. Johnson
Secretary
Board Of Governors of
The Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D. C. 20551

RE: Regulation Z; Docket No. R-1406
RIN No. 7100-AD65

Dear Ms. Johnson:

I continue to by amazed at the lack of common sense exercised by federal officials in writing rules and regulations. The Reg Z requirement that lenders escrow taxes and insurance on "higher priced mortgage loans" has done more to curtail credit in this country than any Reg that I am aware of and this proposed amendment will be of very little help. In fact, the unintended consequences of this proposed amendment will likely further curtail the availability of credit where is it needed most.

I have been a community banker for 42 years and our bank is a small community bank, approximately $260 million in assets primarily serving rural markets in Mississippi. We do not escrow taxes and insurance. We hold our mortgages in our portfolio and no loans are sold in the secondary market. At the present time, we are pricing these loans below the definition of higher price mortgage loans in order to avoid the escrow requirements. This has resulted in a substantial loss of revenue for us because the definition of a higher priced mortgage is not realistic. We no longer make mobile home loans because it would not be a profitable line of business at the rates we can charge and remain under the higher priced mortgage definition.

More than 50% of our mortgage loans are originated in predominately rural or underserved areas. In 2009, we originated 117 first mortgage residential loans and in 2010, we originated 98 of these loans. Of these 98 loans, 88 were less than $100,000, 55 were less than $50,000 and 27 were less than $25,000. Most of these loans were not purchase money loans, but loans secured by our customers' homes and the proceeds used for some other consumer purpose.

As you see, it appears that our bank may qualify for the escrow exemption as proposed by this amendment, however, to remain exempt we will have to insure that we do not exceed 100 originations in future years. In order to do this, we will likely have to establish a minimum loan amount of somewhere between $25,000 and $50,000 or raise our credit standards or both. The result is less credit availability to the borrowers that need the credit the most.

In our markets, most of the community banks do not escrow and like us, they have already eliminated mobile home loans and now will also have to make decisions that could further limit the availability to credit in order to remain exempt from escrow requirements. Most consumer finance companies in our markets have already eliminated mobile home loans and mortgage loans because of escrow requirements. A little common sense should make it clear that escrow requirements are far more important for a $500,000 jumbo mortgage than they are for $3,000 used mobile home loan or a $10,000 sixty month mortgage loan. Yet this proposal favors the jumbo loan.

The solution to this problem is simple. It does not require a 30 page amendment that will require attorneys to tell us what it says. Simply, eliminate the escrow requirements for banks that originate mortgage loans for their own portfolio. If that is too simple, eliminate the requirement for banks under $1 Billion in asset size or at least eliminate the requirement on loans under a specific amount such as $100,000. Another alternative would be to redefine the definition of a higher priced mortgage loan to reflect a more realistic market rate.

The elimination of escrow requirements will increase the availability of credit which will help get our economy going again. I urge you to use a little "common sense".

Sincerely,

Leslie Usher
President & CEO

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Senator Roger Wicker
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