

From: Mary L Fowler
Subject: Revision to Escrow Account

Comments:

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Proposal: Regulation Z - Truth in Lending Act - Revision to Escrow Account
Requirements for Certain Home Mortgage Loans
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Our small family owned bank in rural southern Arkansas had has to stop making so-called higher priced mortgage loans because of onerous escrow requirements recently imposed on us. The new escrow regulations were written to stop abuses that we are not guilty of, yet the net effect of the regulation is that our higher-risk customers can no longer obtain a home loan from us. I don't know how many others there are like us, but I think there are many. We have chosen to stop lending to higher-risk customers because we cannot afford the set-up of escrowing, the maintaining of escrowing, and cannot take the risk involved of inadvertently violating the complicated escrow requirements. Even under the proposed exemption, we may not qualify as rural or underserved even though I think we are a rural area. I can't imagine any county meeting the underserved requirement.as long as two mortgage providers do at least 5 loans per year in the county, then that county is considered to be well served?!?!?!? We would also probably not qualify for the "no more than 100" mortgage loan originations exemption. The definition of a higher priced mortgage loan is another area of contention. The limits for longer term fixed rate loans are not high enough to justify taking the interest rate risk, and the shorter term limits often do not allow for enough margin to cover all the risks we take. If there must be price controls on home loans, they should at least be high enough to allow us to make more loans. The imposition of price controls on home mortgage loans strikes another blow to the health and viability of community banks. Price controls always restrict free market and competitive forces, and always reduce the availability of goods or services. The consumer who needs a home loan and can't get one is the biggest loser in the end. I don't have much hope that this regulation will be reversed, but I wanted you to know the impact: 1. Our small bank will be lending less, with all the collateral damage that brings with it. 2. Those who will not be able to get

a home loan from us are those who are on the borderline of qualification. They will probably get a loan from a non-local mortgage lender from out of our area. They will probably have to pay a much higher rate and much higher fees than we would have charged them if we had been allowed to make them the loan.

3. The loans we do make will be underpriced in many cases, making our margins below what our regulators expect. We are all for effective consumer protection regulation, but the sweeping legislation that has passed is punishing the innocent and wreaking havoc on the small business of community banking. We are not only a different animal than the perpetrators who have caused the problems; we are a different species and we are headed for extinction. You may be tired of hearing that; you may think we are crying wolf. The numbers speak for themselves: in 1984 there were over 14,000 banks; now there are less than 7,000. We are going away, slipping away under the unbearable and unmanageable regulatory burden that was created to solve problems that we are not guilty of. The cost of complying and the risk of accidental violations are too great. We have been made to look like the bad guys. Any help you can give us would be good for us, good for our customers, and good for our communities. Thank you for your consideration.