



GEORGIA BANKERS ASSOCIATION
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July 21, 2011

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Docket No. R-1417, RIN No. AD 7100 AD 75

Dear Ms. Johnson:

On behalf of nearly 300 commercial banks and thrifts that do business in Georgia, I write with comments on the Federal Reserve System Board of Governors' proposed rule amending Regulation Z to implement amendments to the Truth in Lending Act (TILA) made by the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) with regard to ability-to-repay requirements. The GBA has already commented on the interagency connected proposal regarding Qualified Residential Mortgages (QRM) and the requirements set forth to qualify for that designation for risk-retention purposes. Similar to the recommendations made in that letter, I want to outline here why some of the characteristics in this proposal for a Qualified Mortgage (QM) and a Balloon Payment Qualified Mortgage (BPQM) to satisfy the ability-to-repay standard would cause unnecessary stumbling blocks for many typical loans made by banks in our state to both serve their customers while maintaining safe and sound lending principles.

The foremost concern outlined in the proposal is the role that balloon notes play in markets across our state. We appreciate the consideration given to balloon products as an exception to the definition of a QM, but whether a bank is in a rural or underserved market should not be the test. There are many situations in which balloon notes are appropriate no matter what geographic area a particular bank serves. And, in Georgia, we have a number of institutions that serve small, low-population, low-growth rural communities, but because of other more broad definitions, may be part of a metropolitan area. For example, the Atlanta-Sandy Springs-Marietta Metropolitan Statistical Area covers 28 counties, eight of which have populations less than 25,000. Further, under the BPQM, the requirement for the loan term to be five years or more should not be a characteristic because the average length is usually three years or less for many institutions to comply with previous Reg. Z rules and to accommodate for their interest rate risk.

Under other requirements to satisfy the ability-to-repay standard in this proposal, there are also balloon note issues. The requirement to include the balloon payment amount when calculating the consumer's maximum monthly payment and potential ability to repay the loan within the first five years for a "prime" loan or at any point for a "non-prime" loan, virtually eliminates either type of loan being made available. The actual balloon payment amount should not be included in the maximum monthly payment calculation regardless of the length of the loan as very few borrowers will be able to afford payments that cover the entire balloon payment from their current and expected income and assets.

Finally, under the BPQM definition, the requirement that creditors must have at least \$2 billion in assets to have loans that would qualify for exemption would eliminate almost the entire community bank market. The negative impact of nearly every bank in Georgia not being able to utilize the BPQM exemption cannot be overstated.

I urge you and/or the Consumer Financial Protection Bureau to consider these comments when finalizing this regulation.

Sincerely,

Joe Brannen
President & CEO

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