

Commerce Bancshares, Inc.
Compliance Department, 1B12-1
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Delivered via email:
regs.comments@federalreserve.gov

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

RE: Docket Number R-1390

Dear Ms. Johnson:

Commerce Bancshares, Inc. is a registered bank holding company with total assets of \$18.8 billion as of September 30, 2010 and one bank subsidiary. The bank is a full-service bank, with approximately 370 locations in Missouri, Illinois, Kansas, Oklahoma, and Colorado and card operations in Nebraska. A full line of banking services, including investment management and securities brokerage is offered. The Company also has operating subsidiaries involved in mortgage banking, credit related insurance, and private equity activities.

We appreciate the opportunity to comment on the interim final rule amending Regulation Z, as published in the Federal Register on September 24, 2010. We had previously commented on the proposed changes to the disclosures for credit insurance and debt cancellation products (credit protection products), and the advertising rules for open-end credit. This letter includes our comments on other changes in the proposed rules.

- **Imposition of non-refundable fees**

Regarding the proposed change to provide the consumer with the right to a refund of fees, if the consumer decides not to proceed with the transaction during the three business days following receipt of the early disclosures, the Board has acknowledged that this may result in creditors refraining from imposing fees until four days after the consumer receives the early disclosures, to avoid having to refund fees and this could possibly delay the processing of the consumer's transaction. Furthermore, the Board is aware of the conflict with RESPA, which allows the creditor to collect a nonrefundable fee from a consumer after the disclosures have been received and the consumer has expressed an intent to proceed. We recommend that the Board allow the consumer the option to decide to pay a nonrefundable fee after the disclosures have been received but prior to the end of the three business day period. The brief disclosure that will be required at application, can contain language to inform the consumer that after reviewing the disclosures the consumer has the option to pay the nonrefundable fees prior to the end of the three business day time period if the consumer has determined to proceed with the loan; however, doing so may result in the fees not being refundable. This would align the rule with RESPA and allow the consumer control over whether or not additional time is wanted or needed to review the disclosures.

- **Right to Rescind**

The proposed Right to Rescind format requires only the initials of the consumer as acknowledgement of receipt. We believe that this is not in the best interest of the consumer or the lender. A consumer when asked can recognize his or her signature and generally remembers signing a document. In our opinion, it would be easier for a less-than-reputable person closing a loan to forge a consumer's initials than a consumer's signature. We recommend that the Right to Rescind be revised to require the signature of the consumer as acknowledgement of receipt.

- **Higher -Priced Mortgage Loan**

The establishment of a "transaction coverage rate" to counter the adverse results that will occur as a result of the proposed change to make the finance charge into an all inclusive charge, in our opinion, indicates that the proposed finance charge change may not be the right one. In addition, Regulation C, which implements the Home Mortgage Disclosure Act, was changed in October 2009, to require the reporting of rate spreads calculated under the current higher-priced mortgage loan rules and will need to be changed again to require reporting of the transaction coverage rate if the purpose is to report only higher-priced loans as defined by Regulation Z. Implementing the proposed change to calculate a transaction coverage rate as well as an APR to disclose to the consumer will require significant changes to systems, additional data retention, and be costly to implement. Therefore, if the proposed all inclusive finance charge changes are adopted instead of adding a transaction coverage rate calculation, we ask that the Board consider adjusting the percentage rate spreads for determining when a loan is a higher-priced mortgage loan.

- **General Concern Regarding this Proposal and Request for Comment.**

We found this proposal difficult to follow, since it affected many of the same areas previously affected by the proposal published on August 26, 2009. Because no final action was taken on that 2009 Proposal, the affected sections of the regulation were unchanged, and the two proposals overlapped and contradicted each other. Both proposals were approximately 200 pages long, but sections affected by both proposals were not presented in full in this 2010 proposal, as we would have preferred. As a result, it was very difficult to read and understand what the total impact of both proposals would be when taken together.

We recommend that, after comments have been taken into consideration, the Board revise the proposal(s) accordingly, and again publish for comment all the affected sections, in one coherent proposal.

Again, we thank you for the opportunity to comment.

Sincerely,

Sally J. Feistner, CRCM
Compliance Officer