First Arkansas Bank & Trust Member FDIC

Larry T. Wilson
Chairman,
President and
Chief Executive Officer

June 27, 2011

Mr. Ben Bernanke, Chairman
Board of Governors of the Federal Reserve System
20^{th} Street and Constitution Avenue, NW
Washington, DC 20551

RIN No. 7100-AD75
Regulation Z, Truth in Lending

Dear Chairman Bernanke:

Because you serve as Chairman of our nation's Federal Reserve System, I want to be sure that you are aware of the recent communication, referenced above, from the Federal Reserve Bank to the nation's commercial banks.

The Dodd-Frank Wall Street Reform and Consumer Protection Act that was passed by Congress apparently required the Federal Reserve to amend certain parts of the Truth in Lending regulations. Even though the commercial banks were not 'part of the problem' of the financial crisis and had not made mortgage loans to people who could not repay them, we were painted with the same brush as the unscrupulous mortgage lenders who did so.

The Federal Reserve has responded to Congress' new law by sending a 474 page (yes, that's a four hundred and seventy-four page) directive on proposed rules to implement that law. The communication from the Fed includes the notion that we should make comments on the proposed rules after reading the 474 pages of information.

The gist of the directive is that bankers should make some kind of determination that the folks borrowing money from us should have the ability to repay the loan. What a concept! I'm going to let you in on a secret, commercial bankers have doing that since Moby Dick was a minnow! Now we are being asked to pore over 474 pages of material that will tell us how to do what we have been doing all along! Talk about micro-managing! Our regulators are taking all of the judgment out of the banking business simply because a very few non-banks chose to take advantage of a system that allowed greed to trump common sense.

Not only are bankers being asked to learn how to determine that a customer has the ability to repay a loan, we are asked to peruse 474 pages of proposed changes and comment on those proposals. I think it is safe to say that the persons at 95% of the nation's commercial banks who are qualified to read such information and make comments on the propriety of these new regulations are too busy trying to comply with the myriad of other regulations that are being forced on us to develop the type of comments that would be appropriate.

In addition, my 40 plus years of experience in banking have given me the distinct impression that once a proposal is sent out for comment to bankers, the proposal is already cast in concrete. I do not recall a single proposal that was changed after being sent out to bankers, even though they provided many well-thought out suggestions for improvement.

If you are truly interested in the health of our nation's economy, you will go to Congress and tell them that the law that they passed and that you are being asked to implement is insulting to bankers and has the potential to make our economic recovery much more difficult. We are turning down qualified borrowers because of the regulatory mine field that we face instead of making good quality loans to them. We are spending more time on compliance issues than we are on asset quality issues. It is a classic case of "the tail wagging the dog".

I have chosen to make my comments to you because I do not think you would allow someone on your staff to send out a 474 page directive if you had known about such a plan. Asking commercial bankers to fix a problem that does not exist in the commercial banking arena is belittling, demeaning, and only acerbates the premise that our regulators are adversaries and do not have a clue about how commercial banks underwrite loans.

Put simply, the 'folks in the Beltway' are so out of touch with what is going on in the real world of commercial banking that they will propose regulations for 'problems' that do not exist. There is absolutely no need for this additional regulation. If you find banks that are disregarding a borrower's ability to repay their loans, the appropriate solution is to lower that bank's Camels ratings until they correct their underwriting process. Please don't punish commercial banks for the sins of the mortgage banks! Such unnecessary regulation only makes it more difficult and costly to make loans to customers in a time when our economy needs all the stimulation it can get!

I would appreciate you reviewing this situation with your staff. "If the horse is already out of the barn" on this proposal, at least try to encourage your staff to use a good dose of common sense in preparing future proposals for review. For the record, I have not and will not read the 474 pages of information to learn that a loan customer needs to be able to repay a loan.

Sincerely,

Larry T. Wilson
Chairman, President and
Chief Executive Officer

Cc: Gov. Frank Keating
American Bankers Association

Mr. Ken Hammonds
Arkansas Bankers Association

Ms. Candace Franks
Arkansas State Bank Commissioner

Mr. James Bullard
St. Louis Federal Reserve Bank