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February 28, 2011

By electronic delivery to:

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
Attention: Docket No. R-1366

Re: Interim Final Rule to Clarify Provisions in Regulation Z (Truth in Lending Act) Regarding Home-Secured Credit [Docket No. R-1366]

Dear Ms. Johnson:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to comment on the Federal Reserve's interim final rule to clarify provisions in Regulation Z which implements the Truth in Lending Act (TILA). This interim final rule revises the Federal Reserve's interim rule published on September 24, 2010, which implemented certain requirements of the Mortgage

¹*The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing nearly 300,000 Americans, ICBA members hold \$1 trillion in assets, \$800 billion in deposits, and \$700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

Disclosure Improvement Act of 2008. The September 2010 interim rule requires creditors who extend consumer credit secured by real property or a dwelling to disclose summary information about interest rates and payment changes in a tabular format. The Federal Reserve issued this interim rule to clarify certain provisions of the September 2010 interim rule, particularly with regard to the requirements for adjustable-rate transactions that are 5/1 ARM loans.

While ICBA supports improved mortgage disclosures for consumers, we strongly urge the Federal Reserve to make this interim final rule optional for financial institutions. This is the best and most reasonable approach given that the Consumer Financial Protection Bureau (CFPB) will be revising mortgage disclosures as they integrate the disclosures required by TILA and the Real Estate Settlement Procedures Act (RESPA), and will also be finishing the mortgage regulatory review begun by the Federal Reserve.

ICBA understands the Federal Reserve's intentions in providing further clarification to its previous mortgage rulemakings. Nevertheless, within the last couple years, the deluge of piecemeal regulatory requirements regarding home-secured credit has been overwhelming for community banks. With each of these regulatory changes, community banks must make software and other systems adjustments and changes to their forms, rewrite banking procedures and retrain staff. These changes require extensive staff resources and compliance expense, which are more difficult for community banks to absorb than their larger financial institution competitors.

ICBA is becoming increasingly concerned that many community banks will exit the mortgage market due to the large amount of burdensome regulations, as this is what is being voiced by many of our members. A piecemeal approach to rulewriting will only exacerbate the problem for community banks that are currently having difficulty in keeping up with the plethora of regulatory changes.

Furthermore, any new requirements imposed by the Federal Reserve will likely be obsolete within the next year or two. As confirmed in statements made by Elizabeth Warren, assistant to the President regarding the CFPB, the CFPB has made the simplification of mortgage disclosures its priority and has already begun an extensive examination of TILA and RESPA disclosures. Therefore, within the next year, community banks will be faced with a completely different set of mortgage requirements to comply with, and the disclosure requirements in this interim rule will likely be changed. Thus, the reality may be that community banks are required to make additional costly changes to their systems and procedures, only to have these required changes be dated in a matter of months. The cost of additional changes will trickle down to the very consumers these regulations are supposed to protect.

A better approach is for the Federal Reserve to make this interim final rule optional for financial institutions, and to allow the CFPB to finalize all regulatory

amendments regarding home-secured loans once it completes its review. ICBA thanks you for the opportunity to comment on these requirements. If you have questions about this letter or need additional information, please do not hesitate to contact me at 202-659-8111 or Elizabeth.Eurgubian@icba.org.

Sincerely,

/s/

Elizabeth A. Eurgubian
Vice President & Regulatory Counsel