GBA

GEORGIA BANKERS ASSOCIATION

the resource that empowers

April 29, 2011

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

Docket No. R-1406
RIN No. 7100-AD 65

Dear Ms. Johnson:

On behalf of more than 300 commercial banks throughout Georgia, I write to comment on the recent proposal issued from the Federal Reserve Board (FRB) implementing Truth in Lending Act (TILA) requirements under Reg. Z with regard to escrow requirements.

Part of the Board's proposal would implement new escrow disclosure requirements contained in the Dodd-Frank Act (DFA) and we agree that appropriate disclosures are both important and necessary. However, Congress was clear in Title X of DFA that both TILA and Real Estate Settlement Procedures Act (RESPA) be integrated and that consumers receive a single disclosure form to clarify the process. The newly created Consumer Financial Protection Bureau (CFPB) has been unambiguous that integration of these disclosures will be implemented after the designated transfer date of such powers and their team has begun work on such integration. Our view is that action taken by the FRB or the Department of Housing and Urban Development (HUD) prior to the designated transfer date creates confusion for both financial institutions and consumers, could create duplicative efforts with one system of disclosure to be followed shortly by another and as such, cause a huge undue regulatory burden on our members. We believe that requiring new mortgage disclosures that are not integrated contradicts the mandate enacted by Congress.

The proposed rule also would increase the minimum period for mandatory escrow accounts for first-lien, higher-priced mortgage loans from one to five years. Extending the escrow requirement for such a long period of time may further increase the compliance and cost burden on banks and reduce their ability to make these loans. The proposed rule also implements a DFA provision that increases the annual percentage rate (APR) required to establish an escrow account for first-lien, "jumbo" mortgage loans. An unintended consequence of rules requiring escrow for first-lien "higher-priced mortgage loans" that went into effect in July and October 2009 is that some of the loans covered by that definition are home purchase loans, home-improvement loans, refinancings and home equity loans that had previously been considered prime loans by our members. For most community banks, these are bread and butter mortgage loans made to customers who simply don't qualify for loans eligible for sale in the secondary market. The APR should be increased for loans in this category in addition to the jumbo mortgages so our members may serve their communities. Few have the ability to provide escrow services for taxes and insurance as is required for these loans without additional cost or staff. Members have told us that the 2009 rules in combination with this proposal will make and have made mortgage credit less available for consumers in markets throughout Georgia where there are already few options.

The proposal also would exempt certain creditors from the escrow requirement if they operated in "rural or underserved" counties, generally defined as doing 50 percent or more first mortgages during a yearly period in those counties outlined by certain current U.S. Department of Agriculture and HMDA criteria. The proposed exemption may be helpful to a handful of Georgia banks, but there is concern that many banks that operate in smaller communities with limited customer bases still may not be eligible for the exemption because they may be geographically lumped into larger Metropolitan Statistical Areas.

We appreciate the opportunity to comment and hope that our thoughts are helpful.

Sincerely,

Joe Brannen
President & CEO

50 Hurt Plaza, Suite 1050 I Atlanta, GA 30303 I Phone 404.522.1501 I Fax 404.522.9848
www.gabankers.com