IOWA BANKERS ASSOCIATION

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May 2, 2011

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

Re: Docket No. R-1406
76 FR 11598-11629

Ms. Johnson and Board:

Iowa Bankers Association (IBA) is a trade association representing over 350 banks and savings and loan associations operating in the state of Iowa. Our membership is predominantly comprised of banks and savings associations deemed to be "small" for purposes of the Community Reinvestment Act (CRA) with a handful of "intermediate small" and large banks. Our member banks offer a limited variety of in-house portfolio residential mortgage loan products including adjustable rate mortgage loans, balloon loans and fixed rate loans. Some of our members also originate long term fixed rate and ARM loans that are sold to secondary investors. The limited variety mortgage products offered by our members meet the unique needs of rural Iowa where housing prices are much lower. They are not high risk and are not abusively priced.

We appreciate the opportunity to comment on the Board's proposed rule to implement Sections 1461 and 1462 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Sections 1461 and 1462 mandate the creation of a new section of TILA to add additional disclosure requirements regarding escrow requirements, lengthens the period for which escrow accounts are required for higher priced mortgage loans and authorizes the creation of an exception from the escrow requirements for transactions originated by creditors who meet certain criteria deeming the creditor to be "rural."

226.45(b)(2)(iii) Escrow Exemption for Creditors Making Mortgage Loans in "Rural or Underserved" Areas

The proposal provides an exemption for those transactions that, at the time of consummation:

- During the preceding calendar year, the creditor extended more than 50% of its total first-lien higher-priced mortgage loans in counties designated by the Board as ''rural or underserved'';
- During either of the preceding two calendar years, the creditor and its affiliates together originated and retained the servicing rights to 100 or fewer loans secured by a first lien on real property or a dwelling; and
- Neither the creditor nor its affiliate maintains an escrow account for any extension of consumer credit secured by real property or a dwelling that the creditor or its affiliate currently services.

Definition of "Rural"

The goal of this exemption was to reduce the regulatory burden on small rural creditors; however, the manner in which the definition of "rural" is crafted will provide relief to few creditors in the state of Iowa. The definition of "rural" is extremely complicated and difficult to understand. Under the proposal, a county is ''rural'' during a calendar year if it is not in a metropolitan statistical area or a micropolitan statistical area, as those terms are defined by the U.S. Office of Management and Budget, and it is not adjacent to any metropolitan area or micropolitan area; or it is adjacent to a metropolitan area with fewer than one million residents or adjacent to a micropolitan area, and it contains no town with 2500 or more residents. Most of our member banks do not have fulltime compliance staff or in-house legal counsel to review, analyze, and determine whether or not they meet this definition. As a result, creditors will likely exit the mortgage market to avoid the escrow requirements or more than likely, attempt to comply with RESPA's escrow rules and pass the increased compliance costs to consumers via increased fees and interest rates. As noted in the proposal, it simply is not cost-effective to establish, service and maintain escrow accounts for a few, covered transactions.

Applying the proposed definition of "rural" will result in very few counties in Iowa actually meeting the definition of "rural." Iowa consists of 99 counties; 20 of which have been designated as MSAs with an additional 15 designated as micropolitan areas. After applying the definition of "rural" only 16 counties meet the definition of rural because the remaining 48 counties either lie adjacent to an MSA or lie adjacent to a micropolitan and have at least one community with a population in excess of 2500. The entire state of Iowa has a total population of just over three million per the 2010 census (3,046,355) with the largest city's population at 203,433 (Des Moines). It would seem Congress' intent for regulatory relief was broader than reaching less than 20% of a state that has 55% (1,692,048) of its entire population in 20 MSAs.

In the interest of providing regulatory relief in a meaningful way, and to those creditors truly operating with limited resources serving a limited number of consumers, we would respectfully suggest the Board consider revising and simplifying its definition of a "rural" county to a county this is not in a metropolitan statistical area or a micropolitan statistical area, as defined by the U.S. Office of Management and Budget.

De minimis Exemption

Under § 226.45(b)(2)(iii)(C), as proposed, a creditor would not be eligible for the "rural" and "underserved" exemption if it currently escrows for even a single loan. Many Iowa creditors lack the volume to escrow in a cost -effective manner, did not offer escrow accounts prior to the HPML mandates and currently only maintain escrow accounts on those transactions for which the HPML rules apply. As a general policy, these creditors still do not offer escrow accounts on the majority of the mortgage loans they close. The Board has requested comment whether this provision should allow a de minimis number of loans for which escrows are currently maintained.

The IBA and its members support the establishment of a de minimis exemption instead of the proposed exclusion for those creditors who currently service even one escrow account. Again, many creditors currently only offer escrow accounts for those loans that are first-lien HPMLs. They did not establish or maintain escrow accounts prior to the Reg. Z mandate and their customers are requesting to cancel the escrow account after the first year of repayment. Consumers in "rural" areas are often not familiar with escrow accounts and don't appreciate the perceived benefits of such accounts. They are typically more conservative, are accustomed to saving for and paying their taxes on their own and live in lower-taxing districts. This is a prime example of the rule-making processes assuming all borrowers' needs are the same without taking into account the unique nature of traditional community banks and the customers they serve.

In order to provide meaningful relief, we would suggest a de minimis threshold of 50 existing escrow accounts be adopted in lieu of the current rule. This would represent 25% of threshold amount set out in the rule for a rural creditor: during either of the preceding two calendar years, the creditor and its

affiliates together originated and retained the servicing rights to 100 or fewer loans secured by a first lien on real property or a dwelling in order to qualify as a "rural."

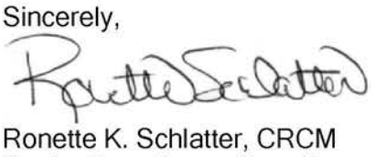
Escrow Disclosures
As proposed, a new disclosure requirement will be added to 226.19(f) to provide information to the borrower regarding the establishment of an escrow account at least three days prior to closing. A typical conventional mortgage borrower is currently presented with sixty-plus pages of disclosures, legal contracts and notices within three days of application and at the time of closing. Borrowers obtaining special program loans, such as VA or FHA loans, are presented with even more disclosures. Information regarding the escrow account is currently provided to the borrower prior to closing via the Good Faith Estimate (GFE) and early Truth in Lending (TIL) payment disclosure and at closing via the HUD settlement statement, Initial Escrow Agreement and the payment schedule on the final TIL disclosure. Adding yet another disclosure to the myriad of paperwork presented to the borrower at and before closing is NOT meaningful to the borrower.

We request, instead of providing yet another additional disclosure to the borrower, the Board consider revising the current escrow disclosures provided on the GFE and early TIL to incorporate the additional proposed information regarding what an escrow account is, the risk of not having an escrow account and how much the consumer will pay into the escrow account. If the creditor is not requiring the establishment of an escrow account, the GFE and early TIL could also reflect that fact and then incorporate the disclosures made in proposed model form H-25 including if the borrower will be charged a fee for not establishing an escrow account, the risks of not having an escrow account, what could happen if the borrower does not pay their home-related costs and the fact the borrower can still request an escrow an account.

Thank you for the opportunity to comment on the Board's proposed rule to implement Sections 1461 and 1462 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. We acknowledge the challenge to both regulators and creditors alike in implementing the mandates of the Dodd-Frank Act and appreciate your thoughtful consideration of our comments and concerns.

If you have questions about these comments, please contact the undersigned at 515-286-4361 or via e-mail, rschlatter@iowabankers.com. Thank you for your time and consideration.

Sincerely,



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