INCOMMONS BANK

You Have Our Word

August 22, 2012

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

Dear Ms. Johnson:

This letter is in response to the proposed rule on appraisals for Higher-Risk Mortgages. We ask that you review our comments with an open mind and take into consideration the toll this amendment will take on the Banking industry in our rural communities.

There is already a problem obtaining appraisals in small towns. First, there are few comparables for an appraiser to work with; second, the cost of a 1004 appraisal (as described in this proposal) is roughly $450, which is a substantial cost of financing when the property costs $30,000 and the loan is $27,000. Such small loans require higher interest rates to be profitable for the lender, are kept in-house by the community bank, and are not part of property flipping schemes and all the other ills this proposal (and most of Dodd-Frank) aim to address.

We have already seen the cost of consumer compliance drive lots of home buyers out of this market. When you are dealing with a family that has a tough time coming up with $3,000 to put down on a house and will have payments in the range of $300/mo (including taxes and insurance), you are dealing with people who cannot also come up with $450 appraisal fees, $500 lender fees (to cover the costs of complying with RESPA and TILA), and the other minor closing costs a buyer typically pays. So, what's happening is low-value houses are primarily being purchased by investors (no RESPA compliance costs), and these low-income consumers are not becoming homeowners. As I understand it, this is precisely NOT the intent of Congress, yet that is exactly what is happening.

This new proposal will make this situation worse. It is detrimental to the mortgage market in rural America. It will cause property values to drop, which are already below larger cities; and, will dramatically contribute to the decline of rural America by destroying the housing market in small towns.

August 22, 2012
Continued Comments – Amendments
to the Truth in Lending Act

We are a community bank and strive to service our customers at the lowest cost to them we can afford. The changes you have made and are proposing, make it virtually impossible to continue to keep this as our mantra.

These proposals will hurt the very people you are trying to protect.

By reconsidering and striking down this proposed amendment to the Truth in Lending Act, you will be enabling us to proudly service our customers in a manner that benefits us all.

Respectfully Yours,

Incommons Bank, N.A.

Raymond Hughes Dillard

Raymond Hughes Dillard
Board Member