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Sent: Wednesday, March 03, 2004 12:25 PM
To: regs.comments@federalreserve.gov; comments@fdic.gov; regs.comments@occ.treas.gov; regs.comments@ots.treas.gov
Subject: EGRPRA/ Regulation Z/Rescission

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Thank you for giving us the opportunity to voice our opinion regarding regulatory burdens. I am very familiar with Regulation Z, having been in banking since the regulation's implementation. Based upon this long term of experience, I have one issue with the regulation: its provision for rescission.

I remember the original intent for the rescission provision was to target quick sales of products like aluminum siding, roofing, and other services that are sometimes done with shabby work and funded by customers refinancing mortgages to tap into their homes' equity. I understand this is protecting customers from fraudulent contractors, etc.

But a more common use of rescission is customers taking advantage of this provision during times of dropping rates. For example, Mr. Shopper walks in and applies for a loan, and gets a rate lock. In the period between locking the rate and the closing, mortgage rates continue to drop. At the closing Mr. Shopper now wants to break the rate lock and demands a lower rate being offered. If we ask him to pay the difference in points between the original rate he locked and the new rate he demands, Mr. Shopper tells us he will rescind the loan as allowed under Regulation Z and go across the street to XYZ Bank.

Now we are in a bind. If we surrender and give him the new lower rate, we loose yield and this cost hits our bottom-line. If we hold firm and stick with the original agreement to the locked rate, Mr. Shopper rescinds the loan and then we end up eating several hundreds of dollars in third party costs - inspections, titles searches, etc.

This working of the rescission provision by unscrupulous borrowers is costly, unfair, and a burden to lending institutions. A clearer definition of what should constitute a valid rescission would be helpful. I might add that in my 36 years of banking I can only recall one instance where a customer had a valid rescission.

Thank you once more for the opportunity to point this issue out to you.

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