

From: First Security Bank, Rebekah F. Leonard
Subject: Truth in Lending

Comments:

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

February 9, 2009

Re: Proposed Reg Z Amendments for the MDIA of 2008
Docket No. R-1340

Dear Ms. Johnson,

I am writing to submit comments concerning the Board's proposed amendments to Regulation Z, which implement the provisions of the Mortgage Disclosure Improvement Act of 2008 (MDIA). I am the Compliance Officer of a local community bank in southwest Montana with approximately \$500 million in assets.

I understand the Board is acting to amend Reg Z because of its statutory mandate to implement the Truth in Lending Act, which has been amended by the MDIA. I state this fact to explain that my comments are not necessarily a criticism of the Board, but a critical response of the MDIA. I am hopeful these comments can effect some change in the root issue of knee-jerk legislation which creates more difficulties than it solves.

I fail to see how consumers are served by the proposed amendments. While the Board seeks comment on the economic effect of increased costs, compliance requirements, and changes in operating procedures on small financial institutions, I offer the perspective that such increased burdens (while noteworthy) pale in comparison to the detrimental effect the changes will have on consumers and community.

As a community banker, I can say with certainty that we provide sound lending services to our customers in a very prompt manner. We do not rush our customers (we take great pains to counsel borrowers who need guidance understanding loans), but we also provide funds as quickly as possible, as we understand that borrowers rely on those funds to improve their lives. In addition, the local construction and real estate industries also benefit from the expeditious handling of loans. To unnecessarily delay funding under some type of mandated and extreme waiting period is a great disservice to our customers and our community.

Under the proposed amendments, customers will not be able to consummate their loan until they have fulfilled a seven business day waiting period from the time preliminary disclosures were delivered to them (unless there is a narrowly defined "bona fide" emergency). If they negotiate a different deal with the lender, resulting in an APR outside of specified tolerances, then they must wait another three business days after delivery of new disclosures. When combined with the three day rescission period applicable to some mortgage loans, a borrower is faced with a possible 13 business day mandated wait to actually receive the funds for which they applied! This time spent equates into a real monetary expense * such as increased interest on higher rate loans,

penalties on past due bills, or deals lost to another buyer who could fund first.

Currently, the US Senate is debating a stimulus package to revive our economy. One of the options under consideration is a 4% mortgage rate to promote home purchases and refinances. I find it highly contradictory to encourage a refinance boom (to stimulate borrowing) when lenders will be bound to a lengthy waiting period restricting disbursement of the attractive loan. Not all loans take weeks to approve. There are plenty of loans "secured by the dwelling of a consumer" that are prudently approved and consummated quickly, especially in local community banks. Why penalize us for providing good customer service, and why penalize customers for having a good relationship with their bank?

If nothing can be done to change the MDIA which has already been passed by Congress, then I implore the Board to reconsider the circumstances in which the waiting period can be waived. Waivers should not be reserved only for "bona fide emergencies". If a qualified borrower acknowledges receipt of the required disclosures and further acknowledges full understanding and acceptance, there should be no reason to delay the loan because "Congress believes you need to think about it some more."

I strongly encourage the Board to develop alternative measures, or at the least delay the MDIA effective date and provide a report to Congress stating how the mandated waiting period will NOT benefit customers.

Thank you for your consideration of these comments.

Respectfully,

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