Comptroller of the Currency
250 E Street, SW
Mail Stop 1-5,
Washington, DC 20219
Re: Docket No. 2007-0005

Robert E. Feldman
Executive Secretary
Attention: Comments
FDIC
550 17th Street, NW
Washington, DC 20429

Jennifer J. Johnson, Secretary
Board of Governors
Federal Reserve System
20th & Constitution Ave., NW
Washington, DC 20551
Re: Docket No. OP-1278

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC, 20552
Attention: No. 2007-09

Dear Sir or Madam:

The Independent Community Bankers of America[1] welcomes the opportunity to comment on the proposed Statement on Subprime Mortgage Lending that is intended to address emerging issues and questions relating to certain subprime mortgage lending practices. The Office of the Comptroller of the Currency, Board of Governors of the Federal Reserves System, Federal Deposit Insurance Corporation, Office of Thrift Supervision and the National Credit Union Administration developed the Statement due to their concerns that subprime borrowers may not fully understand the risks and consequences of obtaining certain adjustable-rate mortgage (ARM) products, such as those with "teaser" rates that expire after a short period of time then adjust to a variable rate loan, such as 2/28[2] loans.

[1] *The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to representing the interests of the community banking industry. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 18,000 locations nationwide and employing over 265,000 Americans, ICBA members hold more than $876 billion in assets $692 billion in deposits, and more than $589 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

[2] For example, ARMS know as "2/28" loans feature a fixed rate for two years and then adjust to a variable rate for the remaining 28 years. The spread between the initial fixed rate of interest and the fully indexed interest rate in effect at loan origination typically ranges from 300-600 basis points.

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ICBA Views
Community banks do not generally make subprime loans with the characteristics mentioned in the Statement, such as "teaser" rates, lack of appropriate borrower income documentation, very high or no limits on reset payments or interest rates. They do not make loans with features that will likely result in frequent refinancing. They require appropriate documentation of borrower income. In general, community banks do not have subprime marketing programs, but they do help borrowers that may not have a traditional credit history or have less than perfect credit. When they do make these loans, they generally keep them on their books and will work with a borrower when repayment problems arise.

Community banks have strong incentives to ensure that a borrower receives a mortgage loan that is appropriate to their circumstances. Community banks focus on customer relationships; they want their mortgage customer to have a good experience so they will be willing to do more banking business with them. Community banks also want the customer to be able to repay their obligation in a timely manner. The low delinquency and foreclosure rates on mortgages made by community banks as compared to the rest of the industry is evidence that they take great care when extending credit.

In general, ICBA does not believe that the proposed Statement will have a significant impact on community banks because they are not typically making subprime mortgages with the characteristics outlined. It appears that the institutions most active in the subprime market—and thus most impacted by the proposed statement—are not typically insured depository institutions, a view that the banking agencies appear to share.

ICBA supports the proposed Statement as it closes a gap in existing regulatory guidance that may not have addressed certain subprime lending practices. These types of loans should be available to address particular borrower situations with proper underwriting, disclosure to ensure that the borrower truly understands the loan's risks, and adequate loan monitoring.

Also, we urge the banking regulators not to increase the regulatory and reporting burdens across the board, penalizing institutions such as community banks that are not responsible for the bad subprime loans. Instead, regulators should use examination and supervision tools to focus on institutions that are active in the subprime segment of the mortgage industry.

We appreciate the opportunity to comment on the proposed guidance. If you wish to discuss our comments further, please contact the undersigned at 202-659-8111 or email at ann.grochala@icba.org.

Sincerely,

Ann M. Grochala

Ann M. Grochala
Director, Lending and Accounting Policy