STATE BANK OF CROSS PLAINS

April 19,2004

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Robert E. Feldman, Executive Secretary
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Attention: **EGRPRA** Burden **Reduction** Comments
Website: www.fdic.gov
e-mail: comments@fdic.gov

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
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Attention: **Docket No. R-1180**
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Regulation Comments
Chief **Counsel's Office**
Office of Thrift Supervision
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Re: EGRPRA Review of Consumer Protection Lending Related Rules

Dear Sir or Madam:

I am the President and CEO of a $390 million comrnuriity bank that **has** served it's community for over 95 years. **With** recent events and **new** regulations such as CIP and US Patriot Act **and with the as yet** unchanged limit on Large Bank ($250 million) CRA exam requirements, we are increasingly being **crushed** by the weight of regulatory burden. I greatly welcome the regulators' effort on the critical problem of **regulatory burden.**

Some of the most onerous impacts of this regulatory burden is with consumer protection lending rules. These rules unnecessarily increase costs for consumers **and** prevent banks from sewing customers. While individual requirements may not be burdensome, the cumulative impact drives up costs and slows down **processing time** for loans. It is obvious that the burden of regulation negatively impacts consumers. Please accept my comments on the following individual **regulations.**

Truth in Lending (Federal Reserve Regulation **Z)**
Right of Rescission. **One** of the most burdensome requirements is the **three-day** right of **rescission** under Regulation Z. From a practical perspective, I can honestly **say I** do not remember one instance where a consumers has asked to rescind the transaction. However, we are very frequently asked to accelerate the transaction. Even though this is a statutory

requirement, inflexibility in the regulation making it difficult to waive me right of rescission aggravates the problem. If not outright repealed, depository institutions should at least be given much greater latitude to allow customers to waive the right.

Finance Charges. Another problem under Regulation Z is *the* definition of the finance charge. Tthe finance charge is not easily determined, especially fees and charges levied by third parties. The calculation of the finance charge is critical in properly calculating the annual percentage rate (APR). This process desperately needs simplification to help consumers understand and bankers to calculate.

Credit Card Loans. Resolution of billing-errors within the given and limited timeframes for credit card disputes is not always practical. The rules for resolving billing-errors many times allow consumers to avoid legitimate bills while banks endure fraud expense. There should be increased penalties for frivolous claims and more responsibility expected of consumers.

Equal Credit Opportunity Act (Federal Reserve Regulation B)

Regulation B creates a number of potential compliance problems and burdens for banks. To begin with, knowing when an application has taken place, for instance, is often difficult because the line between an inquiry and an application is not clearly defined.

Spousal Signature. Another problem is the issue of spousal signatures. The requirements make it difficult and almost require all parties - and their spouses - come into the bank personally to complete documents. This makes little sense as the world moves toward new technologies that do not require physical presence to apply for a loan.

Adverse Action Notices. Another problem is the adverse action notice. It would be preferable if banks could work with customers and offer them alternative loan products if they do not qualify for the type of loan for which they originally applied. However, that may then trigger requirements to supply adverse action notices. For example. it may be difficult to decide whether en application is truly incomplete or whether it can be considered "withdrawn." A straightforward rule on when an adverse action notice must be sent - that can easily be understood - should be developed.

Other issues. Regulation B's requirements also complicate other instances of customer relations. For example, to offer special accounts for seniors, a bank is limited by restrictions in the regulation. And, most important, reconciling the regulation's requirements not to maintain information on the gender or race of a borrower and the need to maintain sufficient information to identify a customer under section 326 of the USA PATRIOT Act is difficult end needs better regulatory guidance.

Home Mortgage Disclosure Act (HMDA) (Federal Reserve Regulation *C*)

Exemptions. The HMDA requirements are the one area subject to the current comment period that does not provide specific protections for individual consumers. HMDA is primarily a data-collection and reporting requirement and therefore lends itself much more to a tiered regulatory requirement. The current exemption for banks with less than $33 million in assets is far too low and should be increased to at least $250 million.

Volume of Data. The volume of the data that must be collected and reported is clearly burdensome. The burden associated with HMOA data collection was only recently increased. Additional data gathering needs to be measured from a clear cost-benefit perspective. All consumers ultimately pay for the data collection and reporting in higher costs, and regulators should recognize that. Certain data collection requirements are difficult to apply in practice and therefore add to regulatory burden and the potential for error, e.g., assessing loans against HOEPA (the Home Owners Equity Protection Act) and reporting rate spreads; determining the date the interest rate on a loan was set; determining physical property address or census tract information in rural areas, etc.

Flood Insurance

The current flood insurance regulations create difficulties with customers, who often do not understand why flood insurance is required and that the federal government - not the bank - imposes the requirement. The government needs to do a better job of educating consumers to the masons and requirements of flood hazard insurance. Flood insurance requirements should be streamlined and simplified to be understandable.

Additional Comments

I would also like to say that it would be much easier for banks to comply with regulatory requirements if requirements were based on products and if all rules that apply to a specific product were consistent and consolidated in one place. Furthermore, regulators require banks to provide customers with understandable disclosures and yet do not hold themselves to the same standard in drafting regulations that can be easily understood by bankers. Finally, examiner training needs to be improved to ensure that regulatory requirements are properly - and uniformly - applied.

Conclusion

The volume of regulatory requirements facing the banking industry today presents a daunting task for any institution, but severely saps the resources of community banks. We need help immediately with this burden before it is too late. Community bankers are in close proximity to their customers, understand the special circumstances of the local community and provide a more responsive level of service than megabanks. However, community banks cannot continue to compete effectively and serve their customers and communities without some relief from the crushing burden of regulation. Thank you for the opportunity to comment on this critical issue.

Sincerely,
State Bank of Cross Plains

Charles L. Saeman

Charles L. Saéman
President and CEO