

**From:** "David Ward" <dward@ncb-ebanc.com> on 10/18/2004 12:50:38 PM

**Subject:** EGRPRA

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Comments to Federal Reserve,

Dear Comments to Federal Reserve:

As a community banker, I support the EGRPRA project and commend the banking agencies for their efforts to identify outdated, unnecessary, or unduly burdensome regulatory requirements. I have the following comments concerning the regulations that are currently being reviewed and are categorized as Consumer Protection: Account/Deposit Relationships and Miscellaneous Consumer Rules.

General Small Bank Compliance

Regulatory compliance responsibilities have increased dramatically for smaller Community Banks over the last decade. The cost of that compliance is proportionately much more severe on smaller banks. Would suggest a tier approach to compliance, giving some freedom from some requirements based on smaller institution asset sizes.

General Compliance Testing

There has been a trend to not only burden the private sector with more complex regulatory requirements, but banks must also test and audit ourselves to prove compliance. Could at least the "burden of proof" be softened in some fashion. Banks try hard to meet the intent of regulatory standards, but is it necessary that we must continually document compliance through additional, costly audits and self-imposed testing?

Privacy of Consumer Financial Information

The annual privacy notice that banks must send to customers is not only very burdensome and costly but the language for the notices required by law and regulations is confusing to customers. An optional short form notice would be welcome, but it should replace - not supplement - the existing notice. Since we have already developed processes and procedures to comply with existing requirements, use of a short form notice should be at the bank's option.

Even more important, we should not have to send out an annual notice if we do not change our privacy policies and procedures. We give our customers the notice at account opening. That should be enough, especially since we

are happy to provide information about our privacy policy upon request. The annual notice is particularly unnecessary for community banks that share information only as permitted by one of the statutory or regulatory exceptions.

#### Truth in Savings (Regulation DD)

Even though we are used to the many disclosures required under Truth in Savings, most of our customers pay little attention to the disclosures. Many of them end up in the trashcan. There is a cost to developing the programs and procedures to produce these disclosures, but if consumers are not paying attention to them, then this is a perfect example of a needless regulatory requirement.

The banking agencies should study whether these disclosures are truly serving their purpose. All interested parties should be involved in the study, including banks, consumers and software providers. Regulation DD would be an ideal regulation for streamlining and simplification to save banks from unnecessary costs and burdens and to improve disclosures to our customers.

#### Deposit Insurance Coverage

The FDIC has taken steps in recent years to simplify the rules about deposit insurance coverage, but the rules still need simplification and streamlining. Customers know that they can organize accounts to expand coverage beyond \$100,000, but how that works and what steps are needed are confusing to both consumers and front-line bank employees. Broader dissemination of the tools the FDIC offers would help. For example, the EDIE CD-ROM should be distributed to every branch office of every bank. We would support simplification of the rules provided it does not reduce the ability of individual consumers to expand coverage, especially since the coverage levels have been steadily eroded by inflation since they were last raised in 1980.

#### Consumer Protection in Sales of Insurance

The disclosures required by these regulations do not fit certain products including credit life and related products, debt cancellation contracts, and crop and flood insurance. The focus of the rule should be on insurance products that are similar to a deposit product and that a consumer might confuse with a deposit that is FDIC-insured. Bankers find it burdensome to disclose each time they sell a customer credit life insurance, that credit life insurance is not a deposit and not FDIC-insured nor insured by any federal government agency. They also find it burdensome to obtain the consumer's written acknowledgement of the disclosures each time an insurance product or annuity is sold.

#### Electronic Fund Transfers (Regulation E)

Consumer liability from unauthorized transactions resulting from writing the personal identification number (PIN) on a card or keeping the PIN in the same location as the card should be increased from \$50 to \$500. It is unfair for banks to be presumed liable in every instance for unauthorized electronic transactions. Furthermore, the notification requirement under Regulation E for a change in account terms or conditions should be extended from 21 days to 30 days. This would make the notification timeframe consistent with Regulation DD and would simplify compliance.

Thank you for the opportunity to comment.

Sincerely,

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