From: "Connie & Mark Watts" <wattsnot@sctelcom.net> on 07/15/2004 12:20:55 AM

Subject: EGRPRA Regulatory Burden

Dear Sirs:

I am writing to you concerning 10 regulations that I feel either are confusing to the consumer, create a disadvantage to the banking industry compared to non-bank businesses, or are economically burdensome to try and comply with the record keeping requirements.

They are:

1. Bank Secrecy Act - Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs): The participants agreed that regulations enacted pursuant to the Bank Secrecy Act and anti-money laundering legislation are the most burdensome regulations for the banking community. First, the cost of compliance is high; second, the regulations are considered by the bankers to be ineffective; third, the regulations and exemptions are overly complex; and, fourth, the penalties for noncompliance, including unintentional errors, are severe.

Banker Suggestions:

- Increase the threshold for transactions requiring CTRs from $10,000 to a higher amount.
- Increase the threshold for monetary instruments from $3,000 to a higher amount.
- Eliminate annual recertification requirements for the same "exempt" customers
- Increase the threshold for money laundering SARs from $5,000 to a higher amount.
- Establish a dollar threshold for insider abuse, eliminating SARs for small dollar theft.

2. USA Patriot Act and "Know Your Customer" Requirements: The bankers asked if Know Your Customer requirements are truly effective in combating terrorism.

Banker Suggestions:

- Reconsider the effectiveness of the customer identification and recordkeeping requirements of the USA Patriot Act.
- Provide clear guidance regarding the customer identification standards such as what is considered an acceptable form of identification? (The federal banking, thrift, and credit union regulatory agencies, the Financial Crimes Enforcement Network and the Department of Treasury jointly issued interpretive guidance on the application of the "Customer Identification

Programs for Banks, Savings Associations, and Credit Unions" regulation on January 9, 2004).

3. Regulation D - Limitations on Transfers from Money Market Deposit Accounts: The participants reported that the regulation is antiquated and serves no apparent purpose. Moreover, the restrictions place banks at a competitive disadvantage with non-banks and credit unions.

Banker Suggestions:

- Remove restrictions and allow unlimited transfers against money market accounts.
- Eliminate restrictions on paying interest on certain deposit accounts (demand deposits and interest-bearing business NOW accounts).

4. Home Mortgage Disclosure Act (HMDA) - Regulation C: The participants said that the costs of software needed to comply with data collection and reporting requirements are high yet the data seems to have little utility.

Banker Suggestions:

- Increase the asset size threshold for exemption from data collection and reporting requirements.
- Alternatively, use a different statistic/test for exemption, such as a market share test or establish a de minimus threshold tied to mortgage loan origination activity.
- Remove unnecessary data fields and focus on the fields that are truly meaningful.

5. Community Reinvestment Act (CRA) Regulations: The participants suggested this regulation is ineffective in an age of internet banking, national marketing, and niche banks. They also reported that it puts banks at a competitive disadvantage since non-banks, such as brokers and credit unions, are not subject to the same regulatory requirements.

Banker Suggestions:

Increase the number of banks not subject to the investment and service tests. (streamlined test only) by raising the small bank threshold from $250 million to $1 billion and eliminating consideration of the holding company. (On January 20, 2004, the Agencies issued a notice of proposed rulemaking (NPR) regarding the CRA. The NPR proposed, among other points, amending definition of small bank raising the total asset threshold from $250 million to that was independent or an affiliate of a holding company that had total assets of less than $1 billion to a bank with total assets of less than $500 million, with no consideration of holding companies).

- Expand what qualifies for CRA credit under the service test, such as community service activities.
- Provide additional guidance to banks about ways to meet both the service and investment tests.

- Explore ways to streamline the approval process for the alternative CRA examination under which banks may submit a custom CRA strategic plan subject to public notice requirements.

6. Truth-in-Lending - Right of Rescission: The participants knew of few, if any, instances when a customer exercised the right of rescission. Customers are frustrated when they have to wait three days before receiving their loan proceeds.

Banker Suggestions:

- The participants recommended that customers be allowed to waive their right to rescind.
- Alternatively, regulators should incorporate more exemptions or repeal the requirement for certain categories of transactions such as refinancings.

7. Extensions of Credit to Insiders and Regulation O: Bankers reported that some of these restrictions make it difficult to find directors willing to serve on bank boards.

Banker Suggestions:

- Revise lending limits upward to state law permissible lending limits.
- Eliminate certain reporting requirements such as:
    - A report filed by a bank executive officer with the bank's board of directors whenever the executive officer obtains a loan from another bank in an amount that exceeds the amount the executive officer could obtain from his or her own bank;
    - A quarterly report required from banks regarding any loans the bank has made to its executive officers since its previous call report;
    - An annual report from a bank's executive officers and principal shareholders to the board of directors of any outstanding loans from a correspondent bank.
- Increase limits on inadvertent overdrafts from the current level of $1,000.

8. Privacy Notices: Bankers considered it inefficient and confusing to customers to send annual, repeat privacy notices when the bank does not share information in a manner that would trigger a customer's right to "opt out" under either the Gramm-Leach-Bliley Act (GLBA) or the Fair Credit Reporting Act (FCRA). Also, they felt they should not be required to send annual notices if the privacy policies had not changed.

Banker Suggestions:

- Provide an initial notice to customers of bank's privacy policy and opt out procedures but then limit subsequent notices only

when the privacy policy changes in a material way.

9. Truth in Lending (Reg. Z) and, RESPA: Mortgage customers are frustrated by the volume and complexity of documents they must sign to get a mortgage.

Banker Suggestions:

- Bankers told the regulators, "Please write in a manner to facilitate customer understanding."
- Simplify APR calculations.

10. Flood Insurance: Bankers reported that investors purchasing commercial property are well-equipped to determine if they need flood insurance.

Banker Suggestions:

- Exempt commercial real estate and allow the investors to determine if they need flood insurance.
- Modify certain coverage requirements: eliminate the requirement for full coverage at the time of loan closing for properties under construction; eliminate insurance requirements for low value collateral taken only as an abundance of caution, and, reduce the amount of coverage required to be equal the value of only the property in the flood zone.

Thank you for your efforts to focus on regulations that enhance consumer understanding, reduce regulatory burden and level the playing field for financial businesses viaing for the same dollars available in the market place.

Sincerely,

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