April 20, 2004

Public Information Room
Office of the Comptroller of the Currency
250 E Street, SW
Mailstop 1-5
Washington, DC 20219

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

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
170 G Street, NW
Washington, DC 20552

Re: OCC, Docket Number 04-05;
FRB, Docket Number R-1180;
FDIC, EGRPRA Burden Reduction Comment;
OTS, No. 200367

Dear Sir or Madam:

I am writing on behalf of the Virginia Bankers Association ("VBA") in response to the agencies request for comment on the regulatory burden review related to consumer lending. The VBA represents approximately 140 commercial banks and thrifts doing business in the Commonwealth of Virginia. Our members include many small banks serving local communities in the Commonwealth, as well as several large banks with a regional or nationwide presence.

In general, we believe it is important for the agencies to appreciate the magnitude of the overall regulatory burden on banks. Not only must banks comply with a host of banking agency regulations, they also must comply with a number of other regulations and legal requirements, such as, RESPA regulations, Fair Credit Reporting Act requirements, and many other federal and state requirements.

We also would point out that modifications in existing regulations – however slight they may appear on paper – can create significant costs for banks. For example, changes to a required disclosure can mean redesigning existing documents, software, advertising, website, etc.

Also, we emphasize that many of the fiercest competitors of banks are not subject to the same level regulatory burden. Credit unions, for example, are not subject to the Community Reinvestment Act. Thus, not only does the regulatory burden negatively impact banks in terms of sheer cost, it also hurts them relative to their competitors.

We raise these general points because we believe it's critical that the banking agencies do all in their power to reduce the overall regulatory burden on banks. In particular, we believe the banking agencies should be more proactive before Congress in advocating reductions in the regulatory burden on banks.

With regard to specific issues, we have the following comments. First, we would urge the agencies to recommend to Congress eliminating the right of rescission under the Truth in Lending Act. The right of rescission is difficult for consumers to understand, adds a great deal of paper to the settlement process and the time it takes for the consumer to close the transaction, and is rarely used. In short, the costs associated with the right of rescission far outweigh any benefits. Inasmuch as the right of rescission is not serving any legitimate needs, as originally envisioned by Congress, it should be eliminated so as to eliminate time and expense in connection with settlements.

Second, the Federal Reserve Board should clarify recent amendments to Regulation B and its Commentary involving joint applications. While the Board stated that written applications are unnecessary (except where otherwise required), that creditors have flexibility in documenting the intent to apply jointly, and that model forms are optional, many banks are concluding that these changes require written applications and that the language added to the model forms is mandatory. The Board should clarify that the regulations are optional. Retaining current forms with the new language would reinforce the concept of flexibility and choice. The Board should also work with other regulators to ensure the regulations are interpreted consistently.

Third, under Regulation Z, we believe the Federal Reserve Board should permit the unsolicited issuance of additional credit cards on an existing account outside of renewal or the substitution of cards. The current rule limiting the ability of issuers to issue additional cards or other access devices limits the ability of issuers to offer products that consumers want. Technological advances have improved the ability of issuers to protect consumers from fraud when they hold multiple cards or access devices.

Fourth, we believe the Federal Reserve Board should clarify an issue relative to refinancings under the Home Mortgage Disclosure Act ("HMDA") regulation. Based on a change in the definition of refinancing under the HMDA regulation, many banks are reporting a number of small business loans as HMDA loans. There is considerable confusion in the industry as to whether these loans will also be reported as CRA Small Business loans or whether having been reported as HMDA loans they are no longer reportable as CRA loans.

In conclusion, we appreciate the federal banking agencies seeking regulatory burden reduction recommendations from the banking industry. Again, we believe the agencies should do all they can to reduce the enormous regulatory strain facing banks.

Sincerely,

Walter C. Ayers
Executive Vice President

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