Evans, Sandra E

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From: Kelley C. Lee [kclee@fnbathens.com]
Sent: Thursday, March 25, 2004 10:51 AM
To: regs.comments@federalreserve.gov; comments@fdic.gov; regs.comments@occ.treas.gov; regs.comments@ots.treas.gov
Subject: EGRPRA Specifically 12 CFR 203 (HMDA)

As a community banker and former OCC bank examiner, I would like to share my thoughts and comments regarding the above reference regulation.

First, I want to express my support for the need to monitor home mortgage activity. Without specific initiatives started 15-20 years ago, the national average for home ownership would not be where it is today. This is a very positive thing and has helped thousands of Americans recognize a part of the "American Dream."

However, like many good intentions that start off with noble and right purposes, HMDA has gone awry. Our $225MM bank actively seeks to make both conforming and non-conforming home mortgages. We generated approximately $12MM in purchase, refi, and home equity loans during 2003. In total, we closed approximately 80 loans during the year.

Because our bank is extremely compliance sensitive, we have procedures in place where our HMDA LAR and all supporting documentation are reviewed quarterly and then once more prior to our submission of the final report. These reviews are performed in-house and take hundreds of man hours to perform. In addition to our in-house review, we also have engaged outside compliance auditors who also review HMDA as part of their scope.

The reasons for providing your this background information is not to brag about how great our commitment or compliance efforts are. We know we must comply with both the letter AND spirit of the law. My reason for providing you this information is that with all our efforts to comply, as well as, seek out mortgage loan opportunities, our impact on the total picture is microscopic.

$12MM in mortgage volume for the Dallas MSMA does not even rank us in the top 100 mortgage producers. We could have the most outlaw operation in this part of the country and the HMDA data would not bear that out when you are reviewing regional performance.

My point is this, HMDA is necessary and good but does not necessarily apply to every lender. The $30MM exemption from HMDA reporting is too low. Because of the amount of time, effort, training, and auditing expense associated with complying with a "zero tolerance" regulation, the materiality should fit the bill and costs associated with the compliance effort.

My recommendation would be to provide an exemption to lenders that make less than 200-500 mortgage loans a year. Again, materiality is the basis for my recommendation. Because we compete against the biggest of the big (Countrywide, Citi, Washington Mutual, B of A, Wells Fargo) our paltry efforts for the year are exceeded by many, many, mortgage companies on a daily and weekly basis. If our data were excluded from HMDA analysis, no one would be able to tell that it were missing!!! If you have never tried to understand or deal with all of the reporting nuances regarding HMDA LAR, I would invite you to our shop. We would love the opportunity to show you the daily effort required in maintaining compliance. I think you will be "shocked" if you take me up on that offer.

This regulation should be for those who impact, control, and drive the markets...not the little guys trying to scrape out a meager existence.

Thank you for the opportunity to express my opinion.

Sincerely,

Kelley C. Lee
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