From: Marcia McKeag [MMckeag@isbt.com]
Sent: Tuesday, April 20, 2004 7:04 PM
To: comments@fdic.gov; regs.comments@federalreserve.gov; regs.comments@occ.treas.gov; regs.comments@ots.treas.gov
Subject: EGRPRA

April 20, 2004

Re: Economic Growth and Regulatory Paperwork Reduction Act

Ladies and Gentlemen:

Thank you for the opportunity to comment on reducing regulatory burden from consumer protection rules that are lending-related. Iowa State Bank & Trust Company is a $500 million community bank with six locations in three cities in eastern Iowa. The FDIC is our primary regulator.

Loans in Identified Flood Hazard Areas
We appreciate the protection that is provided by requiring insurance on buildings securing loans that are located in an identified flood hazard area. We would request a review of the notice requirements for certain increases, renewals or extensions.

Notice requirements under 12 CFR § 339.9 state, "When a bank makes, increases, extends, or renews a loan secured by a building or a mobile home located or to be located in a special flood hazard area, the bank shall mail or deliver a written notice to the borrower and to the servicer in all cases whether or not flood insurance is available under the Act for the collateral securing the loan." The notice requirement for increasing, extending or renewing loans that are in a flood hazard area, in certain transactions, is burdensome. For example, under a special promotion where the bank offers a consumer to skip a payment on a home equity loan which extends the loan one-month, we are required to re-notify the customer and get their signature if the property is in a flood hazard area. The customer has flood insurance in place and knows their property is in a flood zone. We think in this type of scenario, this requirement is unnecessary and the customer wonders why we are requiring their signature again. This also translates into unnecessary additional expense.

Equal Credit Opportunity
The recent amendment to evidence intent to apply for joint credit has been interpreted differently by the regulating Agencies. This is frustrating especially considering all the recent regulation changes as well as those in the near future (Check 21 and FACT Act). The cost involved with implementing changes can be burdensome, but to get conflicting messages from the Agencies is ridiculous. More consistent guidance is needed.

An application completed jointly with language such as "joint applicant" or "co-applicant" should be sufficient to satisfy the spirit of evidencing joint intent.

Determining when to collect monitoring information can be very confusing even for the most experienced loan officers. We offer a wide variety of loan products to be competitive as well as serve our customers' varying needs. We suggest simplifying data collection by making it allowable to collect data on all loans secured by a primary residence.

We have had transactions where the customer has completed the monitoring information section on an application when it shouldn't have been completed, how should we appropriately deal with this situation? Loan officers are to complete monitoring information through visual observation or customer surname when customers have chosen not to provide it. This goes against the customers intent on supplying the information. Also, the accuracy of race and ethnicity information can be questionable. We would suggest changing this requirement; if the customer does not want to provide the information, none will be reported.

We would suggest reconciling the ECOA adverse action notice requirements with FCRA notice. It is challenging to send the appropriate notices when the two requirements are inconsistent.

Home Mortgage Disclosure Act

HMDA is one of the most burdensome and costly regulations to comply with. The volume of data that must be collected and reported takes an incredible number of staff hours and is expensive to say the least. We have invested a lot of time in training and preparation for the 2004 changes.

We would suggest making the HMDA rate spread calculation consistent with HOEPA (12 CFR 226.32) rate spread determination. Having two different calculations are confusing and may lead to additional errors.

The new definition of refinancing is not consistent with the spirit of reporting loans for home purchase and home improvement as the purpose test has been removed. For example, a business purpose loan that is refinanced and both the old and new loans are secured by a dwelling will be reported under the new definition.

Truth in Lending

We can appreciate the intent to simplify and make consistent information provided to consumers related to loan transactions. The volume of disclosures required to be given in addition to the complicated APR and finance charge calculation rules are just the opposite - complicated. If it is difficult for professionals in the lending business to understand, what does this say for the average consumer?

Determining what must be included in, or excluded from, the finance charge is not easily determined, especially fees and charges imposed by third parties. The finance charge is critical in properly calculating the APR. This process needs simplification from a consumer aspect - make it easy for the lender to explain and the consumer to understand.

Consideration should be given to changing the three day right of rescission requirement. As rescinded loans are an extreme minority in relation to all loans executed, change the process to reflect that minority - do not require delayed funding or lien placement, instead put in place steps to unwind the transaction. By doing this, there will be cost savings by eliminating the extra work that that is created by waiting three days on the majority of loans and shifting the extra work to the minority.

Privacy (Regulation P)

The privacy notice annual mailing requirement is costly and burdensome. We would suggest eliminating the annual requirement and require a new notice be sent only when there is a substantive change in the bank's policy. Make the disclosure requirement consistent with other account regulation disclosure requirements: give the privacy notice at account opening, upon request, make it available in lobbies and on the bank's website, and send to existing customers at least 30-days in advance of any policy change.

As the number of regulations facing the banking industry increases, so does the overall cost of compliance. We appreciate this opportunity to provide comments on, as well as the Agencies' concern with, reducing the regulatory burden.

Respectfully,

Marcia McKeag

Compliance Officer

Iowa State Bank & Trust Co.

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