

April 19, 2004From: lonnie [lecsbcmn@frontiernet.net]
Sent: Monday, April 19, 2004 8:14 PM
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Subject: EGRPRA

April 19, 2004

From: Lonnie E. Clark

State Bank of Chandler

342 Main Avenue

Chandler, MN 56122

RE: EGRPRA Review of Consumer Protection Lending Related Rules

Dear Sir/Madam:

Small Bank awash in Regulations

Yes, it was a very good idea to ask bankers about outdated and excessive regulations. Thank you very much for this opportunity. We are a small community bank of under \$30 million. With less than 10 employees, it is almost impossible to stay up to date on all the existing laws and regulations, all the continuous changes to those regulations, plus all the new ones coming out. Sometimes, it appears as if there is an effort to drive the smaller banks out of business, awash in all this regulation.

Less Frequency in Changes to Regulations and Forms

There are some onerous laws and regulations that tend to cause me the most concern. Even so, I almost didn

't write this letter, out of concern that it could prompt changes to something even worse than what we have now.1 Every time a change is made, we have to rewrite our Policies and procedures, conduct employee training, and buy all new forms. The fact that the laws and regulations are changing as frequently as they do, in itself is burdensome. Please consider the frequency of the changes to the regulations, and then do not demand instant change. Give the banks time to adapt to all the changes. The government is actually doing a better job of that. I have noticed that and I appreciate it. What I would really like to see is a 5 year cycle, 4 years in which to propose and prioritize new regulations and regulatory changes. Then the 5th year we would implement only the new regulations and regulatory changes with the most merit. Drop the rest. We are over regulated already. If a change in regulation is to simplify it for banks,

then they should have more time to implement that change and should not be criticized for delaying implementation of it. Give us more time to adopt new forms and procedures. Please don't change them as often.

Continue the Regulator - Banker cooperation

I am impressed when bank examiners point regulatory issues and apparent violations, and actually assist bankers with helpful ways to comply. There seems to be an improvement in the attitude of regulators toward banks over the past years. This opportunity to comment is an example of that. Thank you. Lets keep the partnership going.

I would like to address a few specific laws and regulations:

Call Report Disclosure of Cash on Hand in Banks

Years ago, when I completed the call report for our bank, the regulators were sensitive to the issue of not disclosing the actual amount of cash on hand at a bank. It was included in the total of "Cash and Due from Banks". Let's just say that the government didn't want to give a would-be bank robber a shopping list. Since that time, the government has decided that need for public disclosure is more important than the safety fo the smaller banks with only one location. Perhaps the number crunching people don't realize that some banks do not have multiple branches. I strongly object to this public disclosure. I would not object to the number being put in a non-public area of the Call Report.

Two Year Exam Cycle

I agree with those proposing a 2 year exam cycle.

Balloon Real Estate Loans under RESPA

Many small banks make 3 or 5 year fixed rate balloon loans to finance real estate. We lack dependable longer term fixed rate liabilities to match up against these assets. In many cases, we refinance the balloon balance of the loan for the customer at a new fixed interest rate at maturity. We pass on the \$20 filing fee to the customer, to extend the mortgage. That is the customer's only attitional cost. We already comply with Truth in Lending. There is just no need for any additional disclosure on that type of loan. RESPA should not apply. It is extra wasted effort. Banks are filling a very important need in the market with this type of financing. They should not be burdened with RESPA on them.

Credit Life and Disability Insurance and HOEPA

Truth in Lending does not include Credit Life and Disability premiums in the Finance Charge, when they are properly disclosed. HOEPA should not either. Small banks want to avoid becoming a HOEPA lender. The disclosures are too difficult and it throws up a red flag to regulators of possible predatory lending. There are times that Credit Life and/or Disability Insurance would be appropriate on these loans, but banks will not offer it because of HOEPA. A customer that may qualify for the Credit Life and Disability insurance because of the Group nature of the policy, may not qualify individually for similar insurance. They may have lost their only opportunity for that coverage because of HOEPA. Predatory lending is wrong. Including Credit Life and Disability Insurance premiums in the finance charge to determine if HOEPA applies is also wrong.

Information for Government Monitoring Purposes on Real Estate Loans for Dwellings

Sometimes we have to get the monitoring information on loan applicants by law and sometimes we are prohibited from getting that same information by law. Make up your mind. Either require it on all Real Estate Loans for Dwellings, or don't require it on any of them.