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April 15, 2004

Regulation Comments
 Chief Counsel's Office
 Office of Thrift Supervision
 1700 G Street NW
 Washington, DC 20552

Attention No 2003-67

RE: EGRPRA Review of Consumer Protection Lending Related Rules

Dear Sir or Madam:

I appreciate the regulators efforts to review the critical problem of regulatory burden in the banking industry. Having been in the banking business for over 30 years with four institutions I have been exposed to regulation from The Federal Reserve, OCC, FDIC, State Bank Department and now the OTS. While many of the regulations have been extremely well intentioned it has come to a crisis stage for most smaller banking institutions. And by smaller I mean any organization with less than \$1 billion or so in assets. Of the 10,000 or so banks and thrifts probably 90% would have to be feeling an unreasonable burden from over regulation. I am sure that it was never intended to wind up the way it has become.

The intended beneficiary of most of these regulations is the consumer. But in reality it is the consumer that is paying for the high cost of the increasingly abusive regulatory burden. And the consumer that pays the most is, as always, the one that truly can least afford it.

Predatory lending, Pay Day Loan Companies, Check Cashing stores and pawn shops have all become booming industries in the last 15 years as the insured financial institutions are being forced out of many lines of business due to the high cost of compliance with the growing laundry list of regulations. Name another industry that has to deal with volumes of regulations each day and with every transaction. And tell me how the consumer has truly benefited?

Check out the closing costs versus an internet mortgage lender or a mortgage broker compared to the disclosures from a bank or thrift. The \$4,000 fee to the broker is usually only discovered at the loan closing as the moving van is waiting to unload furniture and the borrower can either close the loan and get legally ripped off or start over with a

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regulated and examined bank or thrift. Who pays for the cost of regulation? The bank or thrift losing a good loan due to false advertising and disclosure from an entity that is not as thoroughly supervised and the consumer pays a much higher cost for the same product.

I can promise you that the \$20 or higher NSF/OD fee would not be so high if the banks and thrifts did not have to use this legal means of overcharging those that can least afford it in order to pay for the cost of the regulatory burden throughout the institution.

In may 30 plus years I have seen a number of burdensome regulations come about on the entire industry as a result of one or two of the larger banks being abusive to customers. So the entire 10,000 other institutions that were trying to serve the consumer fairly winds up with additional costs and burden to pay for what one or two of the biggest banks were doing wrong. And in the end the cost to comply is grossly disproportional for the biggest banks who can afford departments for different regulations than for the average local community bank or thrift. Too often the level of supervision is not level either. I have seen many instance where the enforcement of regulations on the smaller community bank I work for has followed the letter of the law and another big multi billion dollar bank in our community does not comply with the regulation at all. And we were examined by not only the same examining agency, but the same Examiner in Charge.

Some of the specific regulations that should be removed or modified extensively would include:

Reg Z

Right of Rescission

I have never known of a customer exercising the right of rescission. The consumer blames the bank or thrift for causing them to have to wait and I have never known a customer to thank the bank or thrift for allowing them to have the privilege. Most transactions requiring a right of rescission take several days to process and by the time documents are prepared for signature the customer has already waited long enough. I personally think the rescission issue should be removed altogether.

Credit Card Loans

Have you ever read a credit card disclosure statement. Neither do the customers. There should be more reasonableness in these regulations. When a disclosure has so many issues that you are unable to read the statement with a magnifying glass things have gotten out of hand.

Why do you think banks big in credit cards have gone to such abusive charges for every little thing such as overline, late pay, etc. I have seen \$35 late fee for a \$1 balance. With less regulations these big banks would not have to be so abusive to consumers. And again the ones who pay the most are those that can least afford it.

Finance Charges

Why should this be so difficult? Do you truly understand what all must be included in the APR? Too often the banker gets different answers to the same question from different experts. In my 30 plus years I have found that 99% of the banks and thrifts try to do business fairly and will not try to lie, steal or take advantage. But this 99% is being penalized with overzealous regulation due to the very few that are not dealing appropriately. Over time the market will find the abusers out.

The APR issue for costs and fees MUST be simplified. And please do not leave it up to someone with lots of training and education. The intent of the regulation was to allow consumers to compare fairly between lenders. Has the Reg Z done that? Ask the consumer and see what they say? I will contend that most consumers are easily confused and only want things to be easy and simple. Without so many regulations loans could be much easier to grant and quicker to close. Would the consumer not benefit more by the simplification than the benefit perceived from a regulation that they do not understand anyway?

HMDA

The tracking burden for this regulation is absurd. And the regulatory oversight by the examiners has become extreme.

At a recent compliance examination our bank was criticized by the examiner for how we were maintaining a log that the bank did not have to keep due to our size. The examiner comment was that the bank was not required to keep the log, but since it did and there were some errors in it he was listing it as an exception. I considered that extremely burdensome.

The bank I have managed has received an Outstanding in CRA for each exam since 1994. I doubt that there are many financial institutions around that can say that. So I feel confident that I know enough about fair lending to speak. I see no benefit to any consumer from the data collection in HMDA. It is not hard to determine if a bank or thrift is serving the community. In small town America there is the saying, "there are lies, dang lies and statistics." It should not be that hard to determine if a bank or thrift is discriminating and not require all the burdensome data collection. The cost again is being borne by those that can least afford it. Why do you think that mortgage loans typically have different rates or prices for the size of the loan? The additional regulatory burden for a \$50,000 loan is the same as for a \$150,000 loan. Small town America must pay a much higher price for credit than the big boys. And much of the cause is due to regulatory burden.

Please simplify or eliminate this burden.

Flood insurance

This issue has been shoved down the throat of banks and thrifts. And the enforcement is not evenly applied. I have personal experience where this requirement has not been enforced against one of the multi billion dollar banks while it was being enforced against my smaller community bank.

I support requiring flood insurance. But the requirement should apply to all banks and thrifts and the biggest banks should not be getting an easy pass.

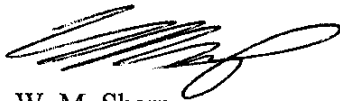
Reg B

It currently is confusing as to when an inquiry becomes an application and when an application is withdrawn. When is an application incomplete? It is often hard to actually determine when an adverse action notice must be sent and the regulation really discourages the lender from offering alternative financing.

I have recently become President of a smaller thrift after over 30 years with community banks. We recently had a series of Examinations, including CRA and compliance. Our CRA rating was Outstanding, but we were noted for several weaknesses in compliance. But none of the compliance exceptions required any restitution. One error recalculated to \$3 difference and some were in the cents. The amount of time and expense devoted to compliance for our institution is totally out of line and beyond what a reasonable man would allow. I am sure that if congress or the public truly understood the issues and costs that banks and thrifts had to deal with in complying with all the lending regulations they would be shocked. And the consumer would be outraged if they truly new how much it was actually paying for such regulation that it does not recognize as a benefit anyway.

Regulation should basically be: do not lie or cheat and if you make an error correct it. Why do well intentioned and educated people in the agencies have to produce such costly and burdensome regulations?

Sincerely,

A handwritten signature in black ink, appearing to read 'W. M. Sharp', with a stylized flourish at the end.

W. M. Sharp
President/CEO