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Sent: Wednesday, April 28, 2004 11:29 AM
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Subject: EGRPRA

From: John Noellert
Sent: April 27, 2004
To: Comments
Subject: EGRPRA burden reduction comment

Ladies and Gentlemen:

Section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA) requires the federal banking regulating agencies to review their regulations at least once every 10 years in an effort to find more streamlined and less burdensome ways to regulate. I support and applaud the Agencies efforts in meeting the requirements of Section 222 of EGRPRA and intend to provide assistance with my comments. To reduce the regulatory burden on banks, I have the following suggestions:

1. Confusing compliance terms - Being a compliance officer of little more than two years, I found one subject particularly confusing and a great burden to my time. Every time I went to read a regulation I had to first read the DEFINITIONS for that reg, because it could be and probably was, different than the definition in another reg. I know this is not in the spirit of paperwork reduction but I would like to propose a new regulation. I would like to see a Regulation of Definitions that mandates all other regulations, including those currently in existence, must conform to the standard definitions in it. All definitions in this regulation would be agreed upon by all of the regulators. I realize this regulation will require ongoing monitoring and changes but it would create continuity across all regulations and make understanding of compliance a whole lot simpler.

2. HMDA Reporting, A – The current system for reporting is structured into three categories. 1. Banks under $33 million do not have to report data. 2. Banks under $250 million report a minimal amount of data as small banks. 3. Banks over $250 million report as large banks that require additional reporting on their part. The design of this structured system admits, by its own existence, that the size of the bank is directly related to the impact their numbers have on the national statistics. I find two things that need to be changed in this area of reporting.

First, every year, for non-reporting banks, the minimum asset amount for the reporting threshold is increased. However, the threshold amount for the small bank and large bank reporting requirements does not change by a like percentage. This is not fair to all of the players. If the minimum asset requirement is important enough to change for the first group it should also be important for the other groups to change also. I would also suggest the amount of change each year does not accurately reflect the change in banking activity and should reflect a larger percent for change each year.

Second; since the design of this structured reporting system admits that smaller banks have little impact on the statistics generated by these regulations, I believe the thresholds, after many years of use, need to be adjusted to more realistic numbers for today's economy. The costs of homes are increasing at faster rate than the increase for minimum reporting (the 2003 cost of homes was up in my county by 30%). The non-reporting threshold of fewer than $33 million should be raised so that banks with assets under $200 million need not report. The small bank-reporting requirement should be over $200 million and under $1 billion and large bank reporting over $1 billion.

2. HMDA Reporting, B – The "confirmation" process of the HMDA-LAR is totally not necessary. The last two years I have transmitted my data electronically. The next day I receive 12 paper pages faxed to me asking me to confirm there is no race of sex or income on a number of accounts. Since these are all corporate customers where race and sex is impossible and income is not to be reported, I must fax back to the Federal Reserve a confirmation that my data is correct. I maintain that my first electronic transmission is the confirmation my data is correct as reported and I should be held accountable to that information. I verify loans reported and not reported before transmission of the data to ensure accuracy of my report. On top of receiving 12 pages back to verify, a month later I am told that they have not received my confirmation fax and we start it all over again. If this process happens to all of the reporting banks in the nation then let us help the ecology by saving our trees and stop this meaningless process.

2. HMDA Reporting, C – A loan officer must, by visual determination, complete the monitoring information of race or sex if a customer does not wish to disclose this information. I understand that a couple of banks across the nation have violated the intent of this requirement by having an excessive number of loan applications left blank to hide their lending discrimination. However, most banks are honest and do not intentionally violate the monitoring requirement. Why must I violate the customers right to privacy, if the customer is against completing this? This is against everything the GLB is trying to protect. This is a clear case of two laws in direct opposition of each other.

3. Examinations - Increase the time between examinations. We seem to be constantly either getting ready for an exam, or producing reports for an exam, or have examiners on premise, or correcting the issues of the last exam. It would be nice to have the time between exams be extended by one or two years at each rating level and for each type of exam. Our financial data is sent to you frequently enough for you to analyze if a problem is beginning to develop and then an examination would be required sooner. With a couple of thousand pages of financial data given to you on the call report for you to analyze, it should be comprehensive enough for you to spot any serious problems developing. (I might be exaggerating a bit to make my point, but when you compare it to 2 pages of 30 years ago it seems like a lot of pages). With our annual independent audits as further assistance in providing you with help to detect beginning problems, I believe two years longer between exams is a reasonable request.

This would greatly reduce regulatory burden nationwide and still provide protection to the American public.

4. CTR's - Currency transaction reporting amounts. I would like consideration given to raising the amount for reporting requirements. Corporate customers should be given a larger reporting threshold than consumers.

5. Adverse Action Notices – Who receives the notice and when differs between Regulation B and The Fair Credit Reporting Act. Life would be simpler to explain to the lending staff if they were both the same.

6. Customer Identification Program –Placing a copy of the photo ID used as the primary identification in a loan file is a violation of Regulation B. We are a community bank where lenders only give loans via a face-to-face application taking process. Our lenders already know the race & sex of the borrower sitting across the table from them without the need of the photo ID, so why should they have to hand write the ID document information on a separate piece of paper in order to comply with CIP when a copy in the file would be less work. There needs to be some common sense exceptions for circumstances where it does not create an opportunity to discriminate.

Thank You for letting me express my opinions and I hope that some will be used to aid in the reduction of compliance burden for community banks.

Sincerely,
First State Bank
Sarasota, Florida
John Noellert
Assistant Vice President & Compliance Officer