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Sent: Thursday, April 15, 2004 10:56 AM
To: regs.comments@federalreserve.gov; comments@fdic.gov;
regs.comments@occ.treas.gov; regs.comments@ots.treas.gov
Subject: EGRPRA

Re: EGRPRA Review of Consumer Protection Lending Related Rules

Dear Sir or Madam:

As the VP/COO and Compliance Officer of a community bank (Citizens National Bank-\$350M), I greatly welcome the regulators' effort on the critical problem of regulatory burden. Community bankers work hard to establish the trust and confidence with our customers that are fundamental to customer service, but consumer protection rules frequently interfere with our ability to serve our customers.

Truth in Lending (Federal Reserve Regulation Z)

Right of Rescission. One of the most burdensome requirements is the three-day right of rescission under Regulation Z. Rarely, if ever, does a consumer exercise the right. Consumers resent having to wait three additional days to receive loan proceeds after the loan is closed, and they often blame the bank for "withholding" their funds. Even though this is a statutory requirement, inflexibility in the regulation making it difficult to waive the right of rescission aggravates the problem. If not outright repealed, depository institutions should at least be given much greater latitude to allow customers to waive the right.

Finance Charges. Another problem under Regulation Z is the definition of the finance charge. Assessing what must be included in - or excluded from - the finance charge is not easily determined, especially fees and charges levied by third parties. And yet, the calculation of the finance charge is critical in properly calculating the annual percentage rate (APR). This process desperately needs simplification so that all consumers can understand the APR and bankers can easily calculate it.

Equal Credit Opportunity Act (Federal Reserve Regulation B)

Section 202.7(d) (3)- Evidence of Joint Application. These requirements make it difficult and almost require all parties - and their spouses - come into the bank personally to complete documents. This makes little sense as the world moves toward new technologies that do not require physical presence to apply for a loan.

Home Mortgage Disclosure Act (HMDA) (Federal Reserve Regulation C)

The volume of the data that must be collected and reported is clearly burdensome. Certain data collection requirements are difficult to apply in practice and therefore add to regulatory burden and the potential for error, e.g., assessing loans against HOEPA (the Home Owners Equity Protection Act) and reporting rate spreads; determining the date the interest rate on a loan was set; determining physical property address or census tract information in rural areas, etc.

Flood Insurance

The current flood insurance regulations create difficulties with customers, who often do not understand why flood insurance is required and that the federal government - not the bank - imposes the requirement. The government needs to do a better job of educating consumers to the reasons and requirements

of flood hazard insurance. Flood insurance requirements should be streamlined and simplified to be understandable.

Conclusion

The volume of regulatory requirements facing the banking industry today presents a daunting task for any institution, but severely saps the resources of community banks. Thank you for the opportunity to comment on this critical issue.

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