From: Randal Morley [dpriore@sbcglobal.net]
Sent: Thursday, April 15, 2004 5:46 PM
To: Comments OTS
Subject: EGRPRA Review of Consumer Protection Lending Related Rules

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April 15, 2004

Dear OTS:

With regard to the Regulatory Burden of federal laws and regulations on our Banks, we would respectfully submit the following comments based on our knowledge and experience.

The Home Mortgage Disclosure Act and the accompanying Federal Reserve Regulation C are among the most burdensome and costly regulations to community banks. Its usefulness to the general public and to the government is highly questionable.

The new revisions to Regulation C have made compliance with this regulation even more time-consuming and burdensome to community banks. Instead of requiring banks to report the APR on each loan which would be a simple task, banks must now report the APR rate spread only if the rate exceeds the comparable term Treasury rate by 3% or more on first lien loans, or 5% or more on junior lien loans. This requires bank employees to have to go and find the official table of "Treasury Securities of Comparable Maturity" under Regulation C and then use the FFIEC Rate Spread calculator. There remain unanswered questions of date issues for the calculation of the rate spread. Hours of bank employee time, which translates to hundreds of dollars in costs to the bank, could have been saved by simply requiring the bank to report the APR on each loan. This is among the most burdensome regulation ever dreamed up by a federal bureaucrat.

At a minimum, the size of the current HMDA exemption should be increased from banks with $33 million in assets to a more meaningful level; for example, banks with $300 million or more. This would at least allow banks with more assets and the ability to hire additional employees to comply with this onerous and unnecessary regulatory burden.

An example of the regulatory burden can be seen in that, due to federal regulations, a husband and wife may have to sign their names seven times just to obtain an unsecured consumer $5,000 loan. First, at time of application, the customers must be given oral "Miranda rights" insurance disclosures stating that they do not have to buy credit insurance offered by the bank and then subsequently sign the consumer credit disclosure which states that they do not have to buy credit insurance offered by the bank. Next, the customers have to sign the loan application, and because they are applying for joint credit due to the revisions in Regulation B, must sign again their intention to seek joint credit. If the customers want credit insurance, then the customers (again) must be orally advised of their insurance "Miranda rights" and have to sign the federal sale of insurance disclosure. Since the customers wanted credit insurance, they

have to sign again verifying that they want credit insurance. The customers also must initial the three pages of the loan contract, which is so lengthy because it must contain all the federally mandated disclosures. Finally, the customers sign the note. The customers are also given two privacy notices at the time of the transaction; the bank's privacy notice, and the insurance company's privacy notice.

The Gramm-Leach Bliley Act's so-called "consumer protection for sales and offers of sales of insurance products" is also one of the most onerous bank regulations. The four banking agencies have adopted substantially identical regulations. A customer must be given an oral and written disclosure stating that at the time of application they do not have to buy insurance products offered by the bank, and the customers signature must be obtained verifying that they have received the disclosures.

If the customer wants to buy credit insurance he again must be advised orally and in writing that the insurance is not a deposit or guaranteed by the bank, is not insured by the FDIC, and there may be investment risk before the completion of the sale of the insurance product. Again, the customer must sign verifying that he has been given these disclosures.

It is interesting to note that the famous Miranda warnings given to persons in police custody are only required to be given orally and are not required to be given in writing or signed by the person in custody. But Congress has required banks to do more than is required of the Miranda warning in that customers must be given two sets of warnings, orally and in writing, and that the customer acknowledge the same in writing.

Space does not permit me to comment on all the vexatious and burdensome federal regulations that govern the banking industry. There are too many regulations and most serve no useful purpose. A bank's trash can is often full of the privacy notices and other mandated written disclosures that customers throw away before they even leave the bank.

Sincerely,

Randal D. Morley