

**KBA**

Kansas Bankers Association, P.O. Box 4407,  
Topeka, Kansas 66604

March 25, 2004

16

Office of the Comptroller of the Currency  
Re: Docket No. 04-05

Federal Reserve Board of Governors  
Re: Docket No. R-1180

Federal Deposit Insurance Corporation  
Re: EGRPRA Burden Reduction Comments

Office of Thrift Supervision  
Re: No. 2003-67

**Re: Request for Burden Reduction Recommendations**

Federal Banking Regulatory Agencies:

Thank you for the opportunity to share with you, comments that the Kansas Bankers Association has received from our members on this most important topic. The KBA is a non-profit organization having as its members, 355 of the 359 Kansas banks as members.

In order to help us draft a meaningful comment letter, we asked our members to complete a questionnaire that listed the regulations dealing with consumer protection and lending-related rules about which the banking agencies are seeking comments. The questionnaire asked our members to consider the requirements of each regulation and comment on whether the requirements were outdated, inconsistent, duplicative, unnecessary, or unduly burdensome.

The following is a compilation of the results of the answers received on the questionnaire, including a list of the rules considered to be most burdensome:

Fair Housing Act.

- **Equal Housing Poster.** Several commenters questioned the effectiveness of requiring the poster to be displayed as it is their observation that consumers never notice it, let alone read its provisions.

- **Equal Housing Lender Logo.** Several commenters also made the observation that most consumers do not recognize the logo or understand its meaning so as to render it meaningless and unnecessary.

#### **Regulatory Burden Relief Comment Letter**

March 25, 2004

Page Two

FHA, cont.

- **Fair Housing Log.** Many commenters felt that the Log was duplicative with the information reported under HMDA and served no additional purpose as Regulation B also prohibits discrimination in lending. Commenters also observed that the log appears to be unnecessary as again, nobody asks to see it – not even examiners.

#### **Flood Disaster Protection Act.**

- **Written notice to borrower that property is in a flood hazard area.** While most commenters agree that having flood insurance is a positive thing for those homeowners in a flood hazard area, several questioned why the banking industry had to police the borrower's choices. One commenter asked if the \$5,000 value threshold could be increased. Another commenter urged more guidance on a specific period in which the notice should be given.

#### **Equal Credit Opportunity Act.**

- **Notice of Adverse Action.** One commenter observed that consumers do not appreciate getting this notice and compared it to rubbing salt in a wound.
- **Right to receive appraisal reports.** Several commenters felt that the requirement of having to give notice of the right to receive an appraisal and have the customer sign off on receiving that notice was unnecessary. These commenters observed that the rule requiring banks to give a copy of the appraisal upon request was sufficient and that this disclosure was **overlooked** by the customer and burdensome to the bank (especially in requiring the right to an appraisal to be repeated when cross-collateralizing a loan).

#### **Credit Practices Rule.**

- **Prohibition against security interest in household goods.** Two commenters offered that many consumers would like to pledge non-possessory, non-purchase money household goods as collateral and are dumbfounded when they are told they cannot. Perhaps the regulation could be amended to allow this with some limitations.

#### **Home Mortgage Disclosure Act.**

- **Collecting information on applicant and on the home-improvement or home-purchase loans.** Many commenters shared that this is one of the most burdensome regulations they face. Many questioned whether the information gathered is effectively used by anyone other than consumer advocate groups to generate headlines.

Several commenters suggested that perhaps having a small-bank exemption for asset size similar to the CRA small bank examination rule would help reduce the burden on the smaller banks that fall under the rule simply because they are included in an MSA by proximity. One commenter suggested that the percentage of the bank's loan portfolio of loans that are actually made in the primary MSA should determine whether a bank should

be required to report under HMDA. It was also pointed out that these small banks tend to know their customers well and collecting the information required by the Act on these applicants is unnecessary. One commenter believes that "years in school" is very unnecessary information with regard to establishing creditworthiness.

**Regulatory Burden Relief Comment Letter**

March 25, 2004

Page Three

Truth in Lending.

- **Terminology.** Many commenters believe that customers are no better served by banks all using the same terminology as these terms are still foreign and confusing to the customer (egs., APY, APR, finance charge). Customers still ask the lender what the interest rate is – even after having all these terms in front of them.
- **Disclosures.** Many commenters observed that their customers very rarely read any of the disclosures made under TILA as the customer feels they are overburdened with paperwork when they come to get a loan. HOEPA disclosures are confusing to the customer. At the very least, several suggest that having the HOEPA 3-day period coincide with the Right of Rescission period would be less confusing for all.
- **Right of Rescission.** Almost every commenter believes that the Right of Rescission is unnecessary – especially for those customers who come in to the bank seeking a loan (as opposed to a customer who is solicited for a loan). Many commenters suggested that the rule be amended to allow customers to waive this for reasons others than a bona fide emergency. One commenter suggested that instead of requiring a separate disclosure (since **so few** customers ever exercise this right), that the Right of Rescission could be disclosed along with the other TIL disclosures.

List of Most Burdensome Rules.

- 1) **EOA and Regulation B.** Especially in light of the new (and seemingly more confusing) rules regarding signatures of applicants and non-applicants.
- 2) **TILA.** The terms and disclosures are meaningless to customers and so do not serve the purpose of allowing customers to compare credit terms. Customer are overwhelmed by the paperwork!
- 3) **HMDA.** Compiling the data is extremely burdensome and there are many questions about its usefulness.
- 4) **RESPA.** Holding up the transaction for three days during the Right of Rescission period is frustrating for most customers.
- 5) **FHA.** The usefulness of the poster and logo are highly questionable. Information required in the log is duplicative and burdensome.

In conclusion, we would like to thank you once again, for the opportunity to present these comments and join in your efforts to weed out the rules and regulations that are particularly burdensome or that no longer provide meaningful information to the consumer.

Sincerely,

James S. Maag  
President

Kathleen Taylor Olsen  
Associate General Counsel