

April 16, 2004

Dear Sir or Madam:

Thank you for allowing a forum for community bankers to express our concerns regarding the problem of regulatory burden within our industry. Although we are well aware of the need for consumer protection rules, often times the regulations in place make the process of providing a bank product to a customer very cumbersome. It is our hope that by commenting on a few components of the consumer regulations that we find to be most burdensome, the regulators will realize what a serious issue this is to community bankers and support us by providing better guidance and eliminate some of the unnecessary requirements.

Equal Credit Opportunity Act (Federal Reserve Regulation B)

Spousal Signature. In the rural community that we serve our loan portfolio consists of a large portion of agriculture loans. The newly implemented revision to REG B that requires an application verifying the borrowers intend to apply jointly for credit is a significant change for our loan officers and customer base. This provision will practically require a husband and wife to always come to the bank personally to complete the documents. As a community bank we strive to provide service that our customers could not receive at a large bank. This revision slows down the processing time it takes to do a loan and makes additional paperwork for our customers.

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

Volume of Data. The volume of data that must be collected and reported is clearly burdensome. The changes implemented in 2004 make this statement even truer. More loans from our commercial and agriculture departments are considered HMDA reportable under the new definition of a refinance. These loans will skew the HMDA data and more than likely be removed from the Reg for 2006 once the data is reviewed in 2005.

Also the requirements to assess loans against HOEPA, reporting rate spreads, and documenting the date the interest rate on the loan was locked provide little information with regards to what HMDA was originally established to monitor.

Truth in Lending (Federal Reserve Regulation Z)

Finance Charges. The definition of the finance charge is not clearly stated which makes determining what should be included in the APR calculation difficult. The regulation needs to clearly state what qualifies as a finance charge and what doesn't so banks can be sure they are disclosing the information correctly. The fear of under disclosing and being penalized by examiners often forces banks to overstate the APR to avoid regulator scrutiny, which could result in the loss of the loan.

Advertising. The regulation defines what must be disclosed in an advertisement subject to Reg Z requirements. This section of the regulation is not clear and it is often very time consuming to determine what needs to be included in an advertisement, what can be left out, and what additional disclosures must be included when trigger words are used. Additional guidance or support via a website where bankers could plug in what they are doing and get samples of what an advertisement should include would be helpful.

Conclusion

Community bankers often wear many hats on a daily basis. It is the goal of our company to provide exceptional customer service and meet the needs of the communities we serve. The regulation burden the banking industry faces is a serious concern to a community bank. Unlike the large banks that have staff and monetary resources to insure they are in compliance with all the regulations, we are forced to comply with the same standards while trying to serve our customers first. Unless the burden of regulation is lifted from the community banks at some level, we will not be able to continue to provide our customers with the quality service and products that brought them to our bank. Thank you for the opportunity to comment on this critical issue.

Tracy Downs
Compliance Officer
German-American State Bank
German Valley, IL 61039

James Schneiderman
President
German-American State Bank
German Valley, IL 61039