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24

Re: Economic Growth and Regulatory Paperwork Reduction Act of 1996

The opinions of banks in regulatory issues should be more involved, but the reservation of the banks to comment relates to the deaf ear the comments have been falling upon. I commend your attempts to correct this problem, so I will bring to you our concerns as a small community bank (less than \$160,000,000.00) in a rural area of high unemployment. The community banking industry was the beginning of banking but with heavy regulatory burden, economic adversity has forced the consumers to seek the unlicensed predatory lenders. Congress with the assistance of Federal Regulators, must provide regulatory relief to promote a healthy financial environment.

Regulation D

Savings and money market accounts are no longer a marketable product and prevent competition in the financial market. Burdensome recordkeeping of the number of allowable transactions on these accounts promote a costly low yielding product for the consumer. The statutory goal of this regulation was achieved in prior years but the financial market has changed. Revision of this regulation could provide the return of deposits that have flowed into other financial markets that have fewer regulations on interest payment procedures.

Lending Regulations

Regulations within the lending area impose the most unnecessary requirements and promote confusion of lenders and customers. We cannot save the forest when every regulation provides for another paper disclosure and a signature or an initial.

Primary regulators should be instrumental in the organization, wording and definitions that are contained in regulations from HUD, IRS or any non-financial agency. Non-financial regulators promote more confusion with every change of a document or regulatory procedure.

Real Estate lending changes need to address the elimination or revision of the "Right of Rescission". This regulation no longer fulfills current consumer needs. The consumers are much more informed as to the consequences of a loan secured by their primary residence. Consumers may have to make multiple trips to the bank for signing of documents relating to "Right of Rescission".

Regulators should review the Treasury Constant Yield as related to HOEPA regulations. The cost of providing these loans to consumers is in excess of income. Market influence

has pushed the Treasury Constant Yield so low, that greater risk basis has resulted to the lender in a rising interest rate market. Loans in this market area are to the low and moderate-income individuals. Providing this service is very important to our community but we are very concerned about the risk as to cost, income and rising rates. A revision that would allow for a higher interest rate, and shorter balloon periods will provide a marketable product.

Regulations that are based on the words "evidence of intent" should not be used in a banking atmosphere. A lender never knows the intent of a customer; we must deal in contractual terms. Signing of a loan application and loan agreement should be adequate to satisfy the "intent" that a customer agrees to be indebted to the financial institution. Adding a statement in the loan application and allowing the signature to serve as the customer intent could do clarity of this new requirement.

The requirement of flood insurance by a consumer should be optional when the structure is partially within the flood zone and does not promote a substantial loss of collateral (example: loading dock of new store with 10 foot increased elevation). Flood zone maps within our community are not accurate due to the changes of land structure, land improvements and new construction.

Bank Secrecy and USA PATRIOT ACT

These regulations have become a daily time-consuming compliance issue. We now spend at least 2 hours per day on the average conducting account reviews and transaction testing. Independent review has increased the cost of overhead. This regulation has developed into a burden for small financial institutions.

The filing of business exemptions every two years should be revised to a one-time filing with supplement filing if business conditions change.

Bank Secrecy and USA PATRIOT ACT should be interwoven as one regulation with a unitary purpose that can be effective but not become cost prohibitive for small banks.

Identification requirements should allow the retaining of picture identification within a customer's loan file to meet regulatory requirements of the USA PATRIOT ACT.

Lobby Disclosures

Regulators should consider revising the posting of all regulatory required signs to one central location within the bank premise. The posting of regulatory signs at every teller and new accounts area has become overwhelming. The passage of any new regulation will result in most instances with the bank issuing a new piece of paper and a new sign. The centralization of signs will allow uniformity of where the customer can go in any financial institution and find the regulatory disclosures.

Quarterly Call Reports

The changes to Call Reports in 27 years have been ongoing and very lengthy. Revisions now involve new software programming cost internally and external Call Report software cost. A revision should be considered from an economical approach "Does the benefit outweigh the cost?" and the cost has to be paid by the financial institution.

Federal Reserve Regulation Y

Regulation Y should have an adjustment on a regular interval to raise the \$150 million exemption level of consolidated assets for a Small Bank Holding Company. Statistics support this as a stale basis that is over 32 years old without change. This maybe the only regulation that has stood without change for this period of time. Regulatory reporting also increases with the \$150 million level that is very burdensome for a small Bank Holding Company with only \$160 million in consolidated assets and no non-banking activities.

The enhancement of debt-to-equity ratio will also allow the ability of a small Bank Holding Company to expand and remain a competitive local community based bank. Updating this regulation will not promote a greater risk to the small banking community, but only allow for the economic indexing and realistic definition of a small Bank Holding Company for the year 2004.

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