

Via regular & e-mail: comments@fdic.gov

August 26, 2004

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corp.
550 – 17th Street, NW
Washington, DC 20429

Re: Reducing Regulatory Burden
Consumer Protection Regulations

Dear Mr. Feldman:

We applaud the efforts of the regulators to reduce regulatory burden on the financial services industry. In spite of our strong 114-year history, we experience severe regulatory burden during exams and in daily operations. Our comments are:

- ***Privacy of Consumer Financial Information*** – Privacy notices are required to be mailed annually. This should be changed to mail only if wording of the privacy notice has changed, rather than an annual mailing, which no one reads.
- ***Safeguarding Customer Information*** – Gramm-Leach Bliley has gone too far. The banking industry has always been concerned about protecting our customer's information. Once a written policy has been developed by the bank, and accepted during an examination, it should not be subjected to changes by a subsequent examination and subsequent examiners. Banks are continually having different examiners hold us to different standards based on their opinions of how the regulations should be enforced.
- ***Electronic Fund Transfers – Reg E*** – ATM Disclosures - Banks are required to post a notice of the ATM fee: #1-a prominent location at the ATM and #2-either on the screen or on paper. This is a useless duplication.
Customer Liability – Permitting a customer to notify the bank “within 2 business days of learning of the loss” makes no sense. The customer must assume more responsibility for not protecting the card. We recommend that the customer's liability be increased from \$50 to \$250 and make the clock start upon the banks receipt of the first unauthorized transaction – giving the customer five business days from that time to report the loss.
Merchant Liability – Merchants that accept signature based debit card transactions

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should be responsible for unauthorized signatures. I have personally witnessed a Wal-Mart cashier accept a debit card signature based transaction without even comparing the signature on the sales receipt with the card. A comment from one Wal-Mart cashier indicated that it's "the bank's problem". Merchants have no loss exposure therefore they do not care.

- ***Reg D & Q*** – Business checking – Permit banks to pay interest on business transaction accounts. The current limitations no longer serve a public purpose and are ineffective. The prohibition is circumvented daily by sweep accounts and similar vehicles. Permitting banks to offer interest directly on demand deposit accounts will help smaller institutions compete with other financial providers, such as money market mutual funds, resulting in greater market and institutional efficiencies. For competitive and fairness reasons, it is time to modernize this provision.
- ***Truth in Savings – Reg DD*** – Shouldn't consumers be provided similar interest rate disclosures from credit unions in order to make an informed decision? Credit Unions should not be exempt from this regulation.
- ***Advertisement of Membership*** – This regulation should be simplified to simply state if the advertisement is for deposits we must use your logo. Listing all of the exceptions to the regulation is very cumbersome.
- ***Deposit Insurance Coverage*** – The amount of coverage should, at a minimum, be indexed for inflation and increased accordingly on an annual basis.
- ***USA Patriot Act*** – While we are aware this regulation is not on the comment list, we wish to state that complying with this act is a very time consuming burden placed on community banks. Law abiding customers are offended by these rules, especially if the bank knows them. This is another example of over-burdening small community banks with a regulation targeted toward large regional and super regional banks that may not have that personal relationship with their customer.
- Bank's have been increasingly placed in the role of enforcement agents for various federal and state programs including by not limited to large cash transactions or suspicious transaction monitoring and reporting, delinquent child support reporting and collection, tax lien data reporting and collection and the placement and continuance of flood insurance. While financial institutions are logical data gathering points for this information, there is a burden on our personnel and data processing resources for which we bear the cost. Federal and State Governments

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should compensate financial institutions for their participation in these programs, which are not designated to benefit the participating bank or consumer, but to accomplish some broad socio-economic purpose. The compensation could be by submission of an invoice or even a fix-dollar direct tax credit for participation in each program.

- ***Questions directed to the FDIC.*** Banks frequently ask the FDIC questions. The standard answer from FDIC employees is “we will not answer that. Look up the regulation and the answer is there”. The Fund has more than \$33 billion of banks money, yet we cannot get an answer to our questions. With our huge regulatory burden, it is rubbing salt in the wound to tell banks find the answer yourself.

As a result of the current regulatory environment, it will be difficult for small community banks to continue to return solid profits and returns to shareholders, not to mention sound asset quality, if senior management continues to be over burdened with compliance.

I will be glad to expand on any of the above. We look forward to working with the FDIC in keeping the banking industry as a symbol of confidence.

Sincerely,

CALVIN B. TAYLOR BANKING CO.

Reese F. Cropper, Jr.,
Chairman and CEO

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