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September 4, 2002

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G. Street, NW
Washington, DC 20552
Attention: No. 2002-27

12 CFR Part 563
Customer Identification Programs for Banks, Savings Associations and Credit Unions

We are a \$215 million bank with six offices. Two are located in the Phoenix metropolitan area and four are located in Mohave County, which is considered a rural county. We have less than 40 customers who are not U.S. Persons as currently defined by the Internal Revenue Service.

We agree with Treasury and the Agencies that the proposed regulation will ultimately benefit the consumer by implementing procedures for verifying the identity of customers which in turn should reduce the growing incidence of fraud and identity theft involving new accounts. However, there are some issues that we would like to communicate to the OTS. They are listed below for your review.

On consumer accounts, our current identification requirements consist of requiring a government issued photo ID on at least one of the signatories. We record the information from the ID, but do not retain a copy. On business or entity accounts, our documentation requirements relative to identification consist of requiring a copy of a "Doing Business As" certificate from the state or county or Articles of Incorporation or calling the Secretary of State or a Corporate Resolution to verify the existence of the entity, as appropriate. We do not obtain identification from signatories on entity accounts.

For unincorporated non-profits such as Girl Scout/Boy Scout Troops, Bowling Leagues and minor accounts etc. will there be any flexibility as to what and how much identification we will be required to obtain?

On mortgage loans we do not collect any identification. This will be a new procedure and as stated in the proposal, retaining copies of identification will not relieve us of our obligations with the Equal Credit Opportunity Act.

Therefore, we will need to determine where this information is to be retained, as it should not be included in the credit package. Filing these documents separate would be the only way we could ensure that the underwriting decision was not partly based upon any of these documents.

Retaining copies of identification increases the risk of violation of Regulation P. We will need to determine how to safeguard this information in order to be in compliance.

The proposal states we must start collecting "date of birth" on all signatories on all types of accounts. We are not currently doing this. We do collect "date of birth" on at least one of the signatories for checking and savings accounts; however, "date of birth" is not collected on loans or safe deposit boxes. As stated above, we do not and have never retained copies of identification.

The proposal does not give any direction on the other verification methods we are to use when we cannot obtain the original documents such as in a telephone or mail application. We would like to see some guidance/examples on how we are to "validate" the identification. For example, how are we going to know if the identification presented is valid? A "safe harbor" provision should apply to institutions. There are currently situations in several states that have had official paper used for Birth Certificates and blank Drivers Licenses stolen from government offices.

The proposal states that infrequent transactions such as the occasional purchase of a money order or a wire transfer would not be considered an account. However, would cashing on-us checks for noncustomers' weekly or selling money orders weekly to the same person meet the definition of "occasionally"?

We would like to see sample verbiage for the Customer Notice, as this would provide consistency for all financial institutions. The more consistently the rules are communicated to the public and the more obvious that it is required by law; the more readily they will be accepted as a routine part of opening an account or obtaining credit.

It would be advantageous to have the agencies examination procedures for this regulation included in the final regulation and this would aid us in implementing the program.

We believe that the new requirements will have a significant effect on our small bank because there will be additional costs of storing identification files for a long period of time - 5 years after an account closes. It will be necessary for us to write procedures; determine how the information can be stored, but still be

available to all of our offices. Our existing BSA policy will need to be amended for the board to approve at a regularly scheduled meeting. We cannot complete any of those tasks until we see the final regulation. Having advance knowledge of exactly how much time we will have is important to our ability to perform the task well.

In conclusion, the proposal indicates these regulations are to be effective October 25, 2002. However, this proposal was not published until July 23 and the comment period does not end until September 6. Even if the agencies spend very little time reviewing and discussing the comments received, the best-case scenario is that final regulations will be issued very close to their effective date.

We suggest that the date for mandatory compliance be at least 180 days from the date of the final rule.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael D. Nelson", with a long horizontal flourish extending to the right.

Michael D. Nelson
President/CEO