IOWA BANKERS ASSOCIATION
8800 NW 62nd Avenue
PO Box 6200
Johnston, Iowa 50131-6200

November 9, 2005

Public Information Room
Office of the Comptroller of the Currency
250 E Street, SW., Mailstop 1-5
Washington, DC 20219
Attn: Docket No. 05-15

Jennifer J. Johnson, Secretary
Board of Governors, Federal Reserve
20th Street & Constitution Ave, NW
Washington, DC 20551
Docket No. OP-1232

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corp.
550 17th Street, NW.
Washington, DC 20429
Re: 12 CFR Chap. III

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G. Street, NW.
Washington, DC 20552
No. 2005-26

Ladies and Gentlemen:

Iowa Bankers Association (IBA) is a trade association representing nearly 95% of 400+ banks and savings associations in the State of Iowa. We appreciate this opportunity to comment on the request to reduce regulatory burden in this next round of regulations under review pursuant to EGRPRA.

We regularly hear from our members that the regulatory burdens placed on them, e.g., disclosure, record retention, and monitoring requirements, etc., create undue hardships in allocation of resources, both human and financial, which impede their ability to effectively deliver products and services to existing customers, let alone the ability to develop and deliver new products and services and effectively compete in an ever-widening financial services industry.

While many of the regulatory requirements have been set by agency rule or regulation, over which you exercise control, others are statutorily set. This creates a more difficult environment in which to affect change – literally, an act of Congress. We encourage your efforts to address appropriate concerns to Congress in hopes of affecting change.

Interagency Regulations – Prohibition of Payment of Interest on Demand Deposits
This prohibition creates an unnecessary competitive impediment for banks and savings associations. Under current rule, credit unions are empowered to offer interest on commercial checking accounts, and pay interest (in the form of "dividends") on all demand deposits ("share" accounts) held by those institutions. This is truly a matter of "form over substance" causing a severe competitive inequality between banks/savings institutions and credit unions. Member banks located in communities where credit unions are also located regularly contact us to express concern and dismay at this inequality, and the fact that banks are losing core commercial deposits

to these competitors. Even members of Congress have acknowledged this prohibition serves no useful purpose in today's economy, as attested by the "Interest on Business Checking Act of 2005," introduced by Senators Snowe and Hagel last July, as well as the House sponsored legislation (H.R. 1224) passed on May 24th of this year. By eliminating this prohibition, not only will a more level playing field be provided among financial institutions, but small businesses will be better served in their financing arrangements with banks.

In addition, we recommend elimination of the limitation of premiums on demand deposits as found at 12 CFR 329.103. Many banks already take advantage of the existing provision at 12 CFR 329.103(e) allowing for the payment of a premium in any amount, so long as there is no minimum balance requirement or duration of account balance. However, what these banks discover is that the payment of the premium does little more than increase the bank's cost of funds, as many consumers open the accounts to earn the premium only, without any intention of developing further business relationships with the institution, and close the account within a relatively short time after account opening and payment of the premium.

Board Regulations

Availability of Funds and Collection of Checks – Reg. CC

Currently, Reg. CC at section 229.12(b) requires financial institutions to make available no later than the second business day following the banking day of deposit the proceeds of Treasury checks, U.S. Postal Service money orders, checks drawn on Federal Reserve and Federal Home Loan Banks, state and local government checks, cashier's checks, certified checks and teller's checks. Some of these categories of checks (U.S. Postal money orders, cashier's checks and teller's checks in particular) have experienced substantial increases in counterfeiting and other forms of check fraud, contributing to losses not only for financial institutions but also for consumers who fall victim to a variety of fraudulent check schemes.

In addition, section 229.13(e) prohibits financial institutions to base a belief of reasonable cause to doubt collectibility, and thereby provide for an extended delay period, based solely on the fact that a check is of a particular class. However, what the industry is experiencing is that certain classes of checks (e.g. cashier's checks, postal money order, teller's checks, and credit card checks) are most frequently used in check fraud schemes, or result in other substantial loss to the financial institution. In the case of credit card checks, banks accepting these items for deposit frequently have them returned due to the consumer being delinquent or over-line on the credit account. By the time the credit card check is returned from the credit issuing institution, the consumer has used deposited funds, often resulting in collection efforts and charge-offs for the depository bank.

With the increasing incidence of counterfeiting and other fraudulent activity involving these "certain other checks," we strongly urge review of these provisions of the regulation and recommend delayed availability schedules that would protect financial institutions and their customers from financial losses. Financial institutions should be allowed reasoned discretion as to imposing delayed availability schedules on any check, no matter to what "class" such check belongs.

Reserve Requirements of Depository Institutions

We encourage the agencies to adopt the proposals introduced in the "Interest on Business Checking Act of 2005," allowing for interest on business checking and other demand accounts, and increasing the number of allowable transactions in savings and money market savings from the current limitation of six per month to the proposed limit of 24 per month.

Conclusion

Thank you for consideration of these comments. Feel free to contact me at 515-286-4391 or via e-mail, dbauman@iowabankers.com, should you have questions or need further information.

Sincerely,

Dodie Bauman, CRCM
Compliance Manager