

From: Stockton, Bill [Bill.Stockton@mfbbank.com]  
Sent: Friday, August 26, 2005 1:22 PM  
To: regs.comments@federalreserve.gov; comments@fdic.gov;  
regs.comments@occ.treas.gov; Comments, Regs  
Subject: FW: EGRPRA

I sent the following comment earlier today then remembered something I wanted to add. I think you should consider expanding SAR filing to include suspected illegal aliens. I understand that a vast majority, although here illegally, are hard working, tax paying people. However, I question how many terrorists and/or drug kingpins and their associates bother to go through official channels to come here. We find customers using apparently falsified social security numbers on a regular basis, most of whom appear to be illegal but we have been told that is not a reason to file an SAR. If only an occasional SAR identifies a dangerous individual, it seems that time spent filing those SARs would be well spent. INS or Home Land Security can sort out who needs to be dealt with and in what ways.

Bill

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From: Stockton, Bill  
Sent: Friday, August 26, 2005 9:30 AM  
To: 'regs.comments@federalreserve.gov'; 'comments@fdic.gov';  
'regs.comments@occ.treas.gov'; 'regs.comments@ots.treas.gov'  
Subject: EGRPRA

I have two issues that I feel are totally unnecessary and burdensome.

(1) Filing of CTRs: There have been proposals to increase the threshold from \$10,000. to \$25,000. or so. I would propose eliminating the process entirely and replacing it with a better developed SAR process. My experience is that a vast majority (if not all) CTR filings are a total waste of time. Spending time and energy filing CTRs (and/or exemptions) on known, legitimate businesses or other understandable customer cash transactions just because they exceed a certain dollar limit makes no sense, not to mention the fact that it irritates customers and in many cases causes them to "criminalize" their transactions by structuring them. Not because they are doing anything illegal but simply because they want to avoid the paperwork. Besides, the requirement to file CTRs is so widely known that drug dealers, money launderers and other criminals learn in their basic training how to avoid them.

What we should really be looking for are "suspicious" activities. Train employees to look for unusual transactions of any type. Large cash transactions may be a sign but may also be normal for certain customers. Also add suspected income tax evasion to the list of reasons to file SARs. A fairly high percentage of loan applicants will divulge the fact that they have significant, unreported income because they think it will increase their chance for approval. Seems to me like an excellent opportunity to inform the IRS, possibly increase revenues by billions and maybe reduce tax rates for the rest of us.

(2) Rescission Involving Home Purchase: First of all, I would say that the entire Right of Rescission rule is a waste because there are sufficient

disclosure rules in place that borrowers have ample opportunity to understand the transaction before they close. In my roughly 25 years as a mortgage lender, I can only recall one transaction where the borrowers rescinded and that was because they decided they did not want the pool, not because they felt misled by the lender. Rather than continuing this unnecessary requirement, file suit against lenders who don't provide the disclosures, or provide misleading or fraudulent ones, put them out of business and in jail.

Where the more frustrating problem arises is when the rescindable transaction involves a purchase. If buyers finance the equity out of their existing home as down payment, such as with a bridge loan, rescission unnecessarily delays the closing. Realtors, buyers and sellers rarely understand the need and pressure lenders to ignore the requirement. Again, borrowers are provided more than ample disclosures, at least by legitimate lenders, and therefore should be sufficiently informed. Also, a purchase transaction generally requires several days between application and closing so borrowers have time to review disclosures prior to closing. Giving them another three days after closing is simply not needed.

Finally, I recall having seen results of studies that indicate consumers rarely read the disclosures we are required to provide. My guess is that it is because there are so many that they are simply overwhelmed.

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