

## **KBA**

*Kansas Bankers Association, P.O. Box 4407, Topeka, Kansas 66604*

November 9, 2005

Office of the Comptroller of the Currency

Federal Reserve Board of Governors

Federal Deposit Insurance Corporation

Office of Thrift Supervision

### **Re: EGRPRA Burden Reduction Comments**

Federal Banking Regulatory Agencies:

Thank you for the opportunity to share with you, comments that the Kansas Bankers Association has received from our members on this most important topic. The KBA is a non-profit organization having as its members, 350 of the 352 Kansas banks as members.

In order to help us draft a meaningful comment letter, we asked our members to complete a questionnaire that listed the regulations dealing with banking operations: directors, officers and employees; and rules concerning banking operations about which the banking agencies are seeking comments. The questionnaire asked our members to consider the requirements of each regulation and comment on whether the requirements were outdated, inconsistent, duplicative, unnecessary, or unduly burdensome.

The following is a compilation of the results of the answers received on the questionnaire:

#### **Prohibition of Payment of Interest on Corporate Demand Deposits.**

***Burden of monitoring demand deposits versus lifting the prohibition of payment of interest.*** A majority of those banks commenting on this issue believed that the value of easing the burden and eliminating the cost of monitoring demand deposits to ensure no corporation had an interest-bearing checking account outweighed the disadvantage of having to pay a competitive rate of interest on corporate demand deposits. There were some banks that had the completely opposite view and who are willing and able to continue offering sweep accounts for corporate customers, however the unanimous consent among commenters was that the limitations on the number of sweep accounts allowed per month should be increased.

**Regulation CC: Availability of Funds and Collection of Checks.**

**Regulating the numbers of days a bank can place a hold on a check.** Many commenters were resigned to the existence of this regulation and have policies and procedures in place to handle the current law. Some commenters have experienced losses in handling fraudulent cashier's checks and would like to see this law revisited with regard to the ability to place a hold on a cashier's check. Many commenters reported that their bank maintains same day availability for all but a very few checks and so have not experienced any problems.

**FDIC Assessments for the BIF and SAIF.**

**Insurance Premiums Paid to the FDIC Based on an Annual Assessment Rate.** Many commenters believe that the current risk-based system recognizes the efforts of sound management teams and encourages banks to maintain a high rating. Several expressed strong sentiment that the two funds be merged, and that every institution that benefits from the deposit insurance should have to pay something when they enter the system. One commenter suggested that other risk factors such as the number of inter-state locations, types of products offered and exam ratings should be factored in to the risk-based fee assessment.

**Regulation O: Limits on Extensions of Credit to Executive Officers, Directors and Principal Shareholders.**

**Special Lending Limits for Executive Officers, Directors and Shareholders.** Many commenters expressed the need for the \$100,000 limit to executive officers for "other purpose loans" to be raised – several suggested raising it to \$250,000. Several observed that the low lending limit means that the bank is sending some of its best customers to the competition. One commenter stated that no limit was needed at all as the regulators could monitor what was appropriate for each bank. One commenter observed that the risk of violating this regulation keeps many officers and directors from borrowing money from the bank. Several banks stated that their internal policies on lending to officers and directors are more stringent than the Reg. O limits. One commenter suggested that a possible change to the regulation to ease the lending limits and reporting requirements described below for banks with a composite 1 or 2 rating and with a management rating of not lower than 2 would provide some relief to the administrative documentation of the current regulation without creating more risk for the industry.

**Duty of Executive Officer to Report Loans in Excess of Reg. O Limit within 10 Days.** Several comments suggested that this burden should not be on the bank where the officer was employed, but rather on the lending bank.

**Annual Report to Board of Directors Regarding Correspondent Bank Loans to an Executive Officer or Principal Shareholder.** One commenter offered that it would be helpful to have an annual date certain when this report was required to be submitted.

**Regulation L: Management Official Interlocks.**

**Prohibition Against Bank Management Officials from Serving Two Nonaffiliated Organizations in the Same Market.** Several commenters believed that the regulation that explains the exemptions which would allow otherwise prohibited persons to serve in a management position could be stated more clearly. Most commenters urged the regulators to keep in mind the challenges of complying with this regulation in the rural areas where declining population is a real life challenge.

In conclusion, we would just like to thank you for the opportunity to comment on these most important rules and regulations. Many of the banks returning the survey offered comments on a variety of other issues as they continue to express their frustration with the many disclosures they are required to give to their customers. This frustration is not so much theirs as their customers'. Some real attention needs to be devoted to the actual benefit being realized by the bank customer as a result of the mound of disclosures being forced upon them. We plead with you once again, that as you review the efforts of the banking industry to comply with these various regulations, please also keep the bank customer in mind and question whether, at some point, the mound of paperwork is ineffective.

Sincerely,

Charles A. Stones  
President

Kathleen Taylor Olsen  
SVP and Associate General Counsel