

KBA

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

October 18, 2004

Office of the Comptroller of the Currency
Re: Docket No. 04-18

Federal Reserve Board of Governors
Re: Docket No. R-1206

Federal Deposit Insurance Corporation
Re: EGRPRA Burden Reduction Comments

Office of Thrift Supervision
Re: No. 2003-35

Re: Request for Burden Reduction Recommendations

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 355 of the 359 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 consumer protection: account/deposit relationships and miscellaneous consumer rules 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asked our members to consider the requirements of each regulation and comment on whether the requirements were outdated, inconsistent, duplicative, unnecessary, or unduly burdensome.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:

Consumer Protection in Sales of Insurance.

Providing insurance disclosure in connection with a credit application. Many members questioned the need to provide a disclosure when **credit life insurance or VSI** is offered. Many stated that consumers know that these insurance products are not FDIC insured and do not benefit from the disclosure as it is confusing to them. Many members stated that the requirement is burdensome to administer and that it distracts the consumer from the business at hand, i.e., trying to determine whether credit life is needed. Several pointed out that the loan application forms already contain this information and the customer acknowledges it with a signature.

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Consumer Protection in Sales of Insurance, cont.

Providing insurance disclosure when product is purchased. Many bankers who wrote comments believe that there should be only one disclosure made – when the loan is made and the consumer actually purchases a product. Too many forms at different times in the process is very confusing to the consumer.

Privacy of Consumer Financial Information.

Providing an annual copy of the privacy policy to all customers. Almost every commenter suggested that the annual notices were not necessary. Many noted that once the customer has received the policy at the beginning of the relationship with the bank, providing a notice only if the policy changes, or upon request would be a more effective means of communication to the customer and a more efficient use of bank resources. This is especially true when the bank does not share information outside of the exceptions.

Safeguarding Customer Information.

Establishing the written Information Security Program. While none of those commenting took issue with the intent of this regulation, many felt that the information was redundant – that it was already contained in other policies of the bank (such as the privacy policy and security policy). Some wrote that they believe the cost of complying with the information technology portion of the Program is excessive compared to the bank's level of technology on hand.

Overseeing service providers. Many members indicated that this aspect of the regulation is very burdensome as they have experienced some lack of cooperation from the providers. Perhaps the regulation could contain a model form with a checklist of items to be completed before the service provider acknowledged that they had been completed by its signature.

Truth in Savings.

Disclosing account terms offered by the bank. Some commenters indicated that they had come to accept the nuances and intricacies of this regulation. Others believe the disclosures are largely ignored by most customers.

Providing at least a 30 day notice of change in account terms. Several commenters requested that this time period be shortened. Especially when the change is in the interest rate, a shorter period of time would better reflect the changing market.

Electronic Fund Transfers.

Providing initial disclosures or before the first EFT is made. Several commenters suggested that providing the disclosures simply because the account could have an electronic transfer is expensive when many accounts do not have such activity.

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Electronic Fund Transfers, cont.

Adhering to the limitations of liability for unauthorized transfers. Many commenters are concerned that there needs to be more responsibility placed on the holder of an access device. Regardless of how careless the holder is with the card and the PIN number, the bank still remains liable for the loss in most cases.

Providing at least 21 days notice before change of terms. Several commenters noted that it would be much less confusing to make the timing of the notice requirements consistent with Truth in Savings so that everything is a 21-day notice.

FDIC: Advertisement of Membership.

Requiring signage at deposit taking stations. Several commenters questioned the need for this signage when all institutions are FDIC insured. One commenter suggested that requiring the official logo on bank merchandise was excessive.

Deposit Insurance Coverage.

Determining deposit insurance coverage. Several commenters appreciated the fact that the FDIC had put EDIE on the web. Many commenters favored increasing the deposit insurance limits as these limits are outdated and ignore the banks' competition with mutual funds.

In conclusion, we would like to thank you for the opportunity to bring these concerns to light. Many of the banks returning the survey expressed their frustration with the many disclosures that they are required to give customers, not necessarily that these disclosures are burdensome to them, but the concern is that the customer does not benefit from the disclosures. The banks point out that they frequently deal with customer complaints about the mound of paperwork that is given to them that is never even read by the customer. 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,

James S. Maag
President

Kathleen Taylor Olsen
Associate General Counsel

