

From: Marcia McKeag [MMckeag@isbt.com]  
Sent: Monday, October 18, 2004 6:59 PM  
To: comments@fdic.gov; regs.comments@federalreserve.gov;  
regs.comments@occ.treas.gov; regs.comments@ots.treas.gov  
Subject: EGRPRA

Re: EGRPRA - Request for Burden reduction Recommendations

Ladies and Gentlemen:

We appreciate the opportunity to comment on reducing regulatory burden from consumer protection rules. Iowa State Bank & Trust Co. is a \$526-million community bank with six locations in three cities in eastern Iowa. The FDIC is our primary regulator.

#### Consumer Protection in Sales of Insurance

The requirement to disclose that insurance is not a deposit and is not FDIC-insured nor insured by any federal government agency should exclude insurance products that do not build cash values or have investment features, such as credit life and debt cancellation contracts. We do not think that these types of insurance products cause consumer confusion with deposit or savings products.

#### Regulation Z, Section 32

The Section 32 disclosure must be given to the customer(s) at least three business days prior to loan closing. This three-day requirement is burdensome to the bank and confusing and unfavorable to the consumer. For example, if a consumer, at application, declines credit life insurance, then changes their mind and informs the bank at closing, the bank is required to provide the Section 32 disclosure, the customer needs to wait three days before closing, then wait another three days before receiving the loan proceeds if rescission applies.

#### Privacy of Consumer Financial Information

The privacy notice annual mailing requirement is costly and burdensome. The annual mailing requirement should be eliminated and instead, the requirement should be for a new notice to be delivered to consumers only when there is a substantive change in the bank's policy. Make the disclosure requirement consistent with other account regulation disclosure requirements: provide the privacy notice at account opening and upon request, make it available in lobbies and on the bank's website, and send a new notice to existing customers at least 30-days in advance of any policy change. This change would reduce the burden on the bank and be less confusing to consumers.

## Electronic Fund Transfers

Consumer liability from unauthorized transactions involving customer negligence should be increased from the current \$50. Banks are required to assume too much responsibility for unauthorized electronic transactions. Consideration should also be given to shifting some responsibility to merchants who accept signature-based transactions requiring the merchant to verify the customer's signature; if they fail to verify, they should be held accountable.

## Bank Secrecy Act/Customer Identification Program

We would like further guidance from regulators including specific examples of what is expected. We understand that a bank's policies and procedures need to be based on their risks and that no one program will fit all banks, but what is enough? BSA and CIP rules seem overwhelming at times, and the burden to staff and resources is more likely to increase without any compensating relief.

## Regulator Guidance

Regulations are not always clear and concise leaving much to be interpreted, by both banks and regulators. Furthermore, regulatory agencies have interpreted regulations differently. If the Agencies cannot clearly and consistently decipher a regulation, how can banks be expected to? We would like to see clearly and concisely written regulations as well as additional guidance on how to sufficiently comply.

One example is the Regulation B, Equal Credit Opportunity, intent to apply for joint credit. Our local FDIC office informed us that the Fannie Mae/Freddie Mac residential loan application (Form 1003) was not sufficient to document intent and that we would need to have customers separately sign their intent to apply for joint credit. The American Bankers Association (ABA) announced in a news alert that they had consulted with the Federal Reserve for clarification and reported that the Form 1003 was sufficient for showing intent to apply jointly if properly completed and signed by both applicants.

In another example, we contacted the FDIC on two different occasions for guidance on the BSA CTR exemption process and were given two different answers; neither answer was in writing (which seems almost impossible to get).

## Summary

As the number of regulations facing the banking industry increases, so does the overall cost of compliance. There is not any one regulation that community banks are unable to comply with - it is the cumulative effect of all regulations that is so onerous. Even though each new requirement may be designed to address a particular problem, over time it all adds up to an unwieldy burden. With the complexity and volume of new regulations coupled with the lack of consistent guidance from regulators, financial institutions can never be certain of whether they are adequately complying with ever-changing and increasing requirements.

We appreciate this opportunity to provide comments on, as well as the Agencies' concern with, reducing the regulatory burden.

Respectfully,

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Compliance Officer

Iowa State Bank & Trust Co.

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