National Penn Bank

SUBJECT: EGRPRA – Comments regarding reduction of regulatory burden
DATE: May 4, 2005

Dear Sir or Madam:

Thank you for the opportunity to comment on those regulations where we feel changes are necessary, either due to outdated regulations or where it just doesn't make sense or serve any realistic purpose.

National Penn Bank is a subsidiary of National Penn Bancshares, Inc. a $4.5 Billion holding company located in southeast Pennsylvania and Maryland. Here is our list for consideration:

1. CTR Reporting Threshold should be increased.

The $10,000 threshold has been around since the late 1970's and has not had a "cost of living" or a time value adjustment since its inception. The resources for monitoring and tracking this are ever increasing as our company grows in size. We suggest a value of $25,000 to $30,000 for monitoring. While we understand and appreciate the value of monitoring for BSA and AML issues, this threshold appears to be too low, and it clutters up the system with too much information, allowing the meaningful information to potentially slip by.

2. Monitoring of Money Service Businesses for BSA/AML.

The time and cost associated with monitoring Money Service Businesses is prohibitive. Many of the larger banks have started charging fees and or have gotten out of the business entirely. Many MSBs in our area service a small remote community and play a part in that community as convenience stores, small specialty shops small grocery stores and the like. To discontinue business with them is doing a disservice to that community. Yet, we the bank bear the cost of monitoring that business. While our staff is very good at identifying risks, they are not regulators, and could miss something. I agree those large commercial check cashers, payday lenders and the like pose a greater risk for us than the smaller "Mom and Pop" shops. We are glad that FinCen defined this, however because it is such a hot topic, feel that it is not as easy as black and white.

3. Annual Privacy Notices – GLBA.

I consider customer privacy the backbone of the banking industry; however, there are some changes that should be made to this regulation. The annual privacy notice that banks are required to send to their customers is costly and quite frankly confusing to a lot of our consumers. While the regulation gives model disclosures, which we use, most consumers want something that is in simple and easy to understand in plain English, not legalese. Additionally, if we have not changed our privacy policy, I believe there should be an exemption that we should not have to re-send the notice every year. After all, we give them out for new accounts, upon request and have it displayed on our web-site. Many consumers tell us "don't send us that junk mail" at the time we mail the privacy notices and of course, we have to pay someone to tell them that "junk mail" is our privacy notice and what it means. This all increases the cost.

4. Regulation D – Limitations on Transfers from Money Market Deposit Accounts.

In today's world, this is probably the most antiquated rule remaining. Even though we have this disclosure in our Deposit Agreements and tell consumers about it, they forget and make multiple transfers over the limits, thereby generating a notice and possible closing of their account. I understand that the initial purpose of a MMD account was a savings account, and thus in order to get interest, the limits were placed on it, however it is extra monitoring and explaining to consumers that could and should be avoided.

5. Regulation E – Electronic Funds Transfers.

One area where common sense seems to play little part is the consumer liability area for unauthorized transactions, particularly when a consumer writes their PIN (Personal Identification Number) right on the card. In my mind the consumer plays some role in making sure they are protecting their funds and their account. I believe

the liability should be increased from $50 to $500 for either the second or third incident of this type of unauthorized transaction. After all, why should the bank, who tells the consumer to protect their PIN eat this cost. Many times it is the repeat offenders who are not playing fair.

6. **Home Mortgage Disclosure Act (HMDA).**

   The costs of software and monitoring needed to comply with data collection and reporting requirements seems to fall short of fulfilling its purpose of monitoring discrimination. I would suggest that we remove unnecessary data fields and focus on the fields that are truly meaningful, or possibly use market share to determine whether a bank is fulfilling its obligations.

7. **Flood Insurance.**

   One of the issues that repeatedly comes up in our company is flood insurance, particularly on high value loans and high value properties. While I understand the FEMA limits, and requirements consumers who have not previously had mortgages often feel that we are being unreasonable in requiring Flood Insurance. This sometimes happens when another institution does not require flood, but should have, or the borrower has never had a bank loan. In addition when a shoreline property is very high value, often times lenders and consumers complain that a $250,000 limit on a property that is worth $2.5 Million is ridiculous, because the $250,000 is not near enough. There is very little leeway built into the flood guidelines, particularly if a bank is making a loan on credit or character, and the property is an abundance of caution.

   An additional item concerning Flood is the "Notice of Flood Insurance Form". The requirement states that the form must be provided to the borrower in a reasonable time before settlement. When you have loans that close in a short period of time, it seems like an unnecessary form when we already have proof of flood insurance before the loan settlement.

8. **FACT Act Credit Score Disclosure.**

   This new disclosure seems to confuse borrowers more than anything, particularly the part that specifies key factors. The "Key Factors" are determined by the Credit Reporting Agency, but since the bank is the one required to send the disclosure, the consumer automatically thinks the bank can either change this or explain it in detail. I agree with the intent and purpose of the FACT Act, to fight identity theft, but the disclosure is only required on consumer purpose, real estate secured loans. It would seem that if we made a car loan, or an unsecured loan or line, and pulled a credit report that it should apply equally, since identity theft doesn't only occur on real estate secured transactions. It would make more sense for the credit disclosure to print at the bottom of the credit report and all inquiries to be made to the credit reporting agency, rather than the bank.

9. **Time Line for Regulatory Compliance.**

   Many of the recent regulations had very short time lines for implementation: CIP and the USA Patriot Act, Check 21, the FACT Act to name a few. Three to six months of implementation time is insufficient when we all still have the business of every day banking to contend with. In our company many of these would involve systems, forms, disclosures, training and the like for the holding company as well as the affiliates. Plus, recently we were going through several acquisitions, making this short timeline a challenge for sure!

Thank you for consideration of our viewpoints.

Sincerely,

Debra A. Wetzel, MBA, CIA, CRCM, CRP
Vice President & Bank Compliance Manager
National Penn Bancshares, Inc. (National Penn Bank)
Philadelphia & Reading Avenues
Boyertown, PA 19512

Phone: 610-369-6185
Fax: 610-369-6723
E-Mail: dawetzel@natpennbank.com