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Subject: EGRPRA

Farmers & Merchants Bank of South Carolina
Holly Hill, South Carolina

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Recommendations to Reduce Regulatory Burden From Certain Consumer Protection Regulations:

As a community bank, we welcome the efforts underway to address and reduce unnecessary regulatory burden on insured depository institutions. Financial institutions are often at a competitive disadvantage due to laws and regulations which are burdensome, costly, and which often times serve no practical purpose. Below are comments and recommendations our institution would like to submit on two of the Interagency Regulations.

Consumer Protection in Sales of Insurance (12 CFR Part 343): We recommend the federal insurance disclosures be combined and simplified. Due to current federal and state laws and regulations governing the sale of insurance, our customers are being inundated with paper. Federal law requires two separate disclosures, one at the time credit insurance is solicited, and one at the time credit insurance is sold. In addition, many state laws also govern the sale of insurance and require additional disclosures. A customer purchasing credit insurance on a consumer loan at our institution is currently required to sign four times just for the insurance. The customer is first provided a federal solicitation disclosure. If the customer decides to purchase credit insurance, he or she must then sign the federal disclosure for the sale of insurance and our state's separate insurance disclosure which provides basically the same information. The customer must sign a fourth time on the insurance company's form. By simplifying and combining these disclosures, consumers would more likely understand what they are being provided and at least some of the paperwork could be reduced for the financial institution.

Privacy of Consumer Financial Information (12 CFR Part 332): Rather than requiring privacy notices to be provided annually to all customers, we recommend they only be provided when a financial institution has a material change in their privacy policy or practices. It is our opinion that the cost of providing privacy notices to all customers on an annual basis far exceeds any benefits derived. Our institution provides over 17,500 privacy notices annually. We received one comment from a customer in 2003 and two comments from customers in 2004. Posting your privacy statement in the lobby or on your Web site, or making your privacy policy available upon request, would serve as a better and much more efficient means of providing notice to your customers.

Sincerely,

William H. Sohm, Jr.
Vice President & Auditor