

August 5, 2004

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.,  
Washington, D.C. 20551

Via e-mail: regs.comments@federalreserve.gov

Subject: [Regulation DD; Docket No. R-1197] Truth in Savings

We are pleased to respond to the Board of Governors' of the Federal Reserve System request for comment concerning the proposed changes to Federal Reserve Regulation DD.

The Pemigewasset National Bank (the Pemi) is a 100+ year old community bank servicing central New Hampshire with an asset size of \$238 million. The Pemi rolled out Pinnacle's "Bounce" overdraft privilege program early this year. Very few customers opted not be included in the program, and in fact, most customers are grateful that we provide such a program.

We agree with the Board of Governors' statement that additional information about costs of overdraft services may be provided to the consumer under TISA and Reg DD as opposed to TILA and Reg Z. Providing overdraft services under TILA and Reg Z would be extremely burdensome to institutions and would serve no additional consumer need.

## **Section 230.2 Definitions**

### 2(b) Advertisements

This section appears to be intended to include by definition any communication (other than required disclosures) as an advertisement for the purposes of this regulation. Notices about ODP such as the President's letter would appear to be classified as an advertisement under this definition. Establishment of further advertising requirements would once again increase the regulatory burden on financial institutions, and, in this case, would appear not to be a benefit to the consumer.

## **Section 230.4 Account Disclosures**

### 4(b) Content of Account Disclosures

#### 4(b)(4) Fees

This section requires disclosure of the NSF fee and the indication that the fee may be charged at the ATM, POS, etc. This requirement would require new system programming at a cost to the financial institution, and consideration should be made to

such costs and to the amount of time financial institutions would need in order to comply.

## **Section 230.6 Periodic Statement Disclosures**

6(a) General Rule

6(a)(3) Fees Imposed

Under proposed § 230.6(a)(3)(ii), institutions would be required to **disclose overdraft fees or returned-item fees on periodic statements on an aggregate basis for the statement period.**

The comment would be revised to reflect the proposed revisions to the regulation concerning **overdraft fees and returned-item fees and to clarify that these two types of fees may not be grouped together as fees for insufficient funds.**

Segregating paid fees from returned fees may require complicated Tran Code changes and may likely require a manual entry on the second day of the transaction.

To highlight the overall cost to consumers of presenting items on an account with insufficient funds on a routine basis, proposed § 230.6(a)(3)(ii) would require institutions' periodic statements to show the **total amounts for overdraft fees and returned-item fees for the calendar year to date.**

The Board requests comment on whether **the requirement to disclose cumulative year-to-date fee totals should be limited to institutions that market overdraft payment services,** and thereby encourage the routine use of the service.

These disclosures should be required of **ALL** institutions and **not** discriminate against those that disclose limits in advance, as the Pinnacle ODP program does. All consumers should receive the benefit from this disclosure if it is to be required at all.

## **Section 230.8 Advertising**

8(f)

Additional Disclosures in Connection with Automated Overdraft Services.

This section requires disclosure of the NSF fee in association with the advertising of the service, and provides additional disclosure information that assists the consumer in making an informed choice in his use of the service. There are also restrictions on the advertisement of “Free Checking” when ODP is also advertised. The degree of these disclosures as contained in the draft staff commentary do not appear to be overly burdensome and are for the most part with Pinnacle best practices and current sample disclosure materials.

If any of the proposed revisions to Reg DD that are adopted would require a change in banking systems, we would respectfully request that compliance not be mandatory for at 12-months from the date the revisions are approved.

Thank you for your consideration of the comments contained in this letter.

Very truly yours,  
PEMIGEWASSET NATIONAL BANK

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