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Legal

August 6, 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

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

Re: Proposed Rule Amending Regulation DD (Docket No. R-1197) and Interagency Guidance Concerning **Overdraft Protection Programs**

Dear Ms. Johnson,

LaSalle Bank Corporation (“LBC”) appreciates the opportunity to comment on the proposed rule issued by the Board of Governors of the Federal Reserve (“Board”) and the interagency guidance issued under the auspices of the Federal Financial Institutions Examination Council (“Agencies”) concerning overdraft protection programs.

LBC is an indirect subsidiary of ABN AMRO Bank N.V. (“ABN AMRO”), which is headquartered in Amsterdam, the Netherlands. ABN AMRO has over \$700 billion in assets and a network of over 3,000 offices in over 60 countries. ABN AMRO maintains several branches, agencies, and offices in the United States.

LBC is a financial holding company headquartered in Chicago, Illinois. LBC owns LaSalle Bank National Association, located in Chicago, Illinois, and Standard Federal Bank National Association, located in Troy, Michigan (collective, the “Banks”). The Banks combine for over \$110 billion in assets and maintain over 400 offices in Illinois, Michigan, and Indiana.

Regulation DD Proposed Rule and Proposed Interagency Guidance

The Board proposes to amend Regulation DD and the staff commentary to address concerns about the uniformity and adequacy of information provided to consumers when they overdraw

their accounts. The proposed amendments address a specific service offered by depository institutions, commonly referred to as “bounced-check protection” or “courtesy overdraft protection.” Proposed revisions to Regulation DD would require additional fee and other disclosures about automated overdraft services. The Board also is proposing amendments of general applicability that would require institutions to provide more uniform disclosures about overdraft and returned-item fees.

The proposed interagency guidance identifies concerns raised by financial institutions, financial supervisors, and the public about the marketing, disclosure, and implementation of overdraft protection programs. To address these concerns, the proposed guidance: 1) seeks to ensure that financial institutions adopt adequate policies and procedures to address the credit, operational, and other risks associated with overdraft protection services; 2) alerts institutions offering these services to the need to comply with all applicable federal and state laws; and 3) sets forth examples of best practices.

Comments

Proposed Rule - Regulation DD, *Periodic Statement Disclosures*, Section 230.6(3) (ii):

“Institutions must disclose a dollar amount for all overdraft fees and a total dollar amount for all returned-item fees for the statement period and the calendar year to date.”

Comment - It is our opinion that this proposed amendment is unduly burdensome and would require extensive and costly programming to format information that is already available to the customer. The Banks presently notify customers at the time of an overdraft or returned item, together with the associated fee, and itemize the same information on the customer’s periodic statement. The proposed amendment will penalize financial institutions who have diligently been notifying customers in a timely manner of overdrafts and returned items by forcing those financial institutions to re-design their internal programming to disclose statement and year-to-date totals. Currently, a customer may add the itemized fees from each notice or statement to determine the totals. The itemization, by itself, is enough to place the customer on notice of any overdraft activity, from which the customer can readily ascertain the cost of such services.

Proposed Rule - Regulation DD, Advertising, Section 230.8(f) – [...any... advertisement shall disclose in a clear and conspicuous manner:] “(3) The time period by which the consumer must repay or cover any overdraft.”

Comment – This proposal addresses repayment periods for overdrafts, which implies that inadvertent overdrafts could be considered loans. We do not believe that overdraft privileges are loans. Banks should ask and expect customers to make immediate repayment.



Proposed Guidance - Safety and Soundness Considerations - “In addition, overdraft balances should generally be charged off within 30 days from the date first overdrawn. The 30-day charge off timeframe applies to all overdrafts created under the overdraft protection programs described in this interagency guidance.”

Comment – It is our opinion that this proposed guidance would be a disservice to our customers as well as the Banks. The proposed 30-day charge off period is not a reasonable amount of time. In some cases, customers may make their accounts whole just after 30 days by means of automatic deposits. Also, customers who may be overdrawn for a number of days may not realize they are in an overdraft status (for example, when out of town for an extended period) and may be able to correct the situation within a reasonable time. Additionally, the reporting of the charge-off to credit reporting agencies could negatively impact a customer’s credit record. If the Banks were required to implement a 30-day charge-off schedule, they could incur significant costs by closing and re-opening accounts.

LBC supports the purpose of Regulation DD to provide consumers accurate information about accounts at depository institutions. However, the increased costs and burden to banks that may likely result from the proposed rule and interagency guidance appear to come without providing any real benefit to consumers.

Again, LBC appreciates the opportunity to comment on the proposed rule and interagency guidance.

Sincerely,

Steven M. Cecchi
First Vice President & Compliance Counsel
LaSalle Bank Corporation