



Joe Bruce, President

July 6, 2004

Jennifer J. Johnson, Secretary
Agencies of Governors of the
Federal Reserve System
20th and Constitution Avenue, N.W.
Washington, DC 20551

RE: Regulation DD; Docket No. R-1197

Dear Ms. Johnson:

We appreciate the opportunity to comment on the proposed amendments to Regulation DD issued by the Board of Governors. For 30 years, Citizens Bank of Blount County has provided services as a locally-owned and managed community bank. We agree with many of the proposals, but do have concerns about certain assumptions. Our comments on the Proposal are set forth below and are identified by the title of the section of the Proposal.

Summary

The Proposal states that “bounced check protection is an automated service that is sometimes provided to deposit account consumers as an alternative to a traditional line of credit.” All banks exercise their discretion in paying or returning checks each day. This process is automated at some banks, but requires a decision on the part of the bank. We review account statistics to make this decision each day: average balance, frequency of deposits, amount of nonsufficient checks, and internal loan information – past dues or defaults on traditional loan products. Automation does NOT divest us of our discretion to pay or return the item. Some automation assists us in making the decision.

Concerns About Bounced-Check Protection Services

We do not “promote” the advisability of overdrafts. We use the information that we have available to determine whether to pay or return checks. Our program discloses that we are not obligated to pay any item, that we may refuse to pay an overdraft at any time, and that the service is discretionary.

There seems to be a conflict between “marketing” and “disclosing” the information about discretionary overdraft payments. The bank is providing disclosure to the customer at the time of account opening. This would seem to be a positive process. The information does not encourage overdrafts, but rather explains the process.

Concerns About Uniform Disclosure of Overdraft Fees

We already disclose to customers with notices that are sent at the time the overdraft occurs and on the periodic statement. Thus, we do not believe that consumers are

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unaware of the total amount of fees being imposed or that they are unaware of the amount of the overdraft being created.

Periodic Statement Disclosures

Overdraft and returned-item fees are disclosed both by notice at the time of the transaction and by the periodic statement. Changing this procedure to provide year-to-date information would be costly for programming alterations. We already provide ample notice to the customer of their fees. Costly system changes will not enhance the disclosure to customers. If we provide year-to-date amounts on these fees, what other fees would also need this disclosure - - stop payment fees, service charges, money orders?

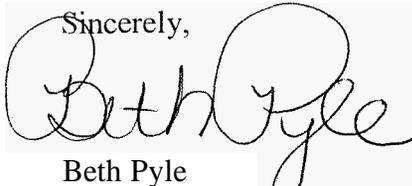
Advertising

There seems to be a conflict between “marketing” of this service and “disclosure” of it. Information is given *ti*) the customer at account opening - - not to promote overdrafts, but to inform the customer that the bank retains the discretion to pay or return NSF items. Automation allows us to review extensive data more efficiently and make a risk-based decision on each account. This process results in fair and consistent application of our overdraft parameters. “Discretionary” cannot be adequately defined so as to be helpful to our customers.

Consumers want this service and have few complaints about it. We’re disclosing the cost of the service promptly and fully.

We appreciate the opportunity to express our views on this matter

Sincerely,

A handwritten signature in black ink that reads "Beth Pyle". The signature is written in a cursive style with a large, looping initial "B".

Beth Pyle
Assistant Vice President