



# German American Bancorp

**To:** Board of Governors of the Federal Reserve System

**From:** Gene Thewes

**Date:** July 19, 2004

**RE:** Comments on Proposed Rule Regulation DD; Docket No. R-1197

In May, 2003, the five affiliated banks of German American Bancorp implemented a courtesy overdraft program, Prestige Coverage. This program was purchased from BSG, LLC who has implemented similar programs in financial institutions across the United States with cumulative assets of more than \$174 billion. In our implementation, we accepted BSG's best practices of informing and educating consumers about how overdrafts are handled, which very closely resemble the FFIEC's proposed regulations concerning the marketing of courtesy overdraft programs. Although I would like to comment on several areas of concern in your proposed guidance, I would also like to commend the Council on addressing the concerns courtesy overdraft programs have encountered over the past several years.

**Section 230.2 Definitions** -- I recommend the Board consider adding language that would exempt communications used to educate and inform consumers about the institution's courtesy overdraft policy from being defined as advertisements. While the Board seems to make an allowance for disclosing a courtesy overdraft policy in the Depositor's Account Agreement given at account opening, I believe it falls short of the goal of responsibly informing consumers about an institution's courtesy overdraft policy, since most account holders don't take time to read the entire account agreement at the time the account is opened.

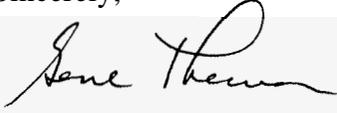
I believe certain aspects of a courtesy overdraft program should be given to account holders in a separate disclosure at the time their account qualifies for the program. I recommend the Board exclude this type of disclosure in its definition of arts that would be considered an advertisement for promoting a courtesy overdraft program.

**Section 230.6 Periodic Statement Disclosures** -- The commentary states a proposed rule of providing period-to-date and year-to-date NSF/OD fee amounts on statements of courtesy overdraft account holders with the intent of providing consumers with a greater awareness of these fees. If adopted, I believe this proposal would cause institutions to incur significant additional expenses in changing their core processing systems to generate statements in this more detailed format. I further believe the frequent notices, letters, and telephone calls generated through our courtesy overdraft program already provide ample awareness to the consumer of the fees they are being assessed. In addition to these communications, a "financial harm letter" is used to suggest other overdraft protection options available to those customers identified as frequent users. I believe our

current solution is more proactive and will be more effective than the passive disclosure of period-to-date or year-to-date fees on periodic statements.

I hope the Board will seriously consider the comments which I've made. Please feel free to contact me at (812) 482-0740 if you have any questions concerning my comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Gene Thewes", is written over a light gray rectangular background.

Gene Thewes  
Senior Vice President  
German American Bancorp