

From: "Andy Johnson" <ajohnson@bankofvernon.com> on 07/31/2008 05:55:18 PM

Subject: Regulation AA

I am the Chief Financial Officer of the Bank of Vernon. We are a \$200 million community bank located in a rural area with little economic growth. We are concerned about the level of legislation that may be passed in regards to current issues.

I would like to comment on the overdraft protection issues. Although many systems are automated, our community bank reviews each overdraft daily for approval. This has been the process for many years, even before there were overdraft marketing programs. The new programs offer a benefit to customers who would not have the protection under old standards. These customers are protected from extremely high charges from merchants, collection fees, harassment, embarrassment, and a return charge from the bank. So, the customers are saving money by only having the bank's fee (which would have been charged under the old system whether it was returned or paid. From an operations standpoint, the bank benefits by reducing the time needed to review the overdraft list each day. We have a notation on the report that shows the items covered by the overdraft program. These need only a quick glance, before moving on to the items for customers that aren't noted. In less than 5 minutes we can normally review all of our overdrafts. As a service, we often call customers when an overdraft is in question. This may allow us to pay an item that would normally be returned. I recently attended my final session of banking school and this was a topic of concern for many banks. From our discussions, all of the other banks had a similar "hands on" process. This would indicate the automation does not have an adverse impact on our customers, but assists in reducing errors and improving customer service. I do however have some concerns about some of the practices of institutions charging an overdraft fee, daily fees, interest fees, and possibly other fees. I think the fee should be reasonable based on the market of the bank. I am not sure if it is fair to charge interest on top of the fee, or a daily fee. I really don't have a feel for that as we don't do it. As a customer I would not like that. As a customer of my bank I am ok with paying a single fee. However, I must say that there are several times when a customer complains about fees, or they have a bookkeeping error where they get a large amount of fees and we either waive or lower the amount of the fees. Again, this is a good customer service and saves the customer more money and hassle with their merchants. While banks have certainly increased fee income through these marketing programs, the service itself is not new, and in areas like ours the income is not as high as other places. Banks are receiving enough competition from other sources and continue to become commoditized, so programs and ideas like this should be allowed as we need to enhance our ability to serve our customers or we will continue to see the declining number of banks in America.

Remember, an overdraft is essentially an unsecured loan, so the bank makes the decision for this without the same information it would receive on a loan. Therefore, it should be rewarded for its risk and charging a single fee is reasonable and should be acceptable. The customer knows what the bank charges and has the option to bank elsewhere. Banks have not misled the customers, or at least our bank hasn't. Customer advocate groups would like to see all bank services be free to customers. This is not reasonable and should be stopped. The more you give, the more they want. As long as we are being reasonable and forthright there should be no additional regulation in this area.

The opt-out should not be a burden to the bank, but should be easily available. The service helps our customers and again, they would have to pay us an NSF fee plus the merchant and collection fees if we didn't pay. Why not show how we are saving money for our customers—we can help with that.

On the credit card issues: I think there is a need to protect the customer a little more. It seems that credit card companies have so many rules that are unclear to consumers. Our bank issues a card that is straightforward. We have our rules listed and they are easily understood. I don't think most cards offer the same. I don't know what needs to be done, but I do see how it impacts my friends and customers who cannot get out of debt with these companies because of the rates and how they continue to increase.

I hope you will consider this and please let me know if I can assist further. Thank you.

Andy Johnson
Chief Financial Officer

Bank of Vernon