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June 4, 2010

Federal Deposit Insurance Corporation
Advisory Committee on Economic Inclusion (ComE-IN)

Re: Safe, Low-cost Transaction and Basic Savings Accounts

Dear Committee Members,

In an effort to assist with your decision making on the safe, low-cost transactional and basic savings accounts, we are issuing this letter in order to address our thoughts and concerns on the proposed requirements offered by the FDIC.

Our primary concern with the accounts as proposed is that the setup of the accounts conflicts with the customer identification provisions of the Bank Secrecy Act (BSA) and may subject the bank to heightened fraud risk. The proposal indicates that the bank should use latitude within the law to identify customers for purposes of opening the account. In order to comply with BSA, financial institutions have already established customer identification procedures including procedures for "non-documentary" methods. Should there be a requirement to liberalize these procedures, banks will have increased risk of new account fraud as identification policy is already set based on that bank's risk tolerance. In addition, loose identification standards allow access to the banking system by individuals intending to circumvent federal laws.

Beyond the Bank Secrecy Act concerns, we question how we will determine who is a low-moderate income individual. In lending, this is a relatively straight forward process as disclosure of income is typically a requirement to obtain a loan. For a basic checking and/or savings account, past attempts we have made to obtain this information have been difficult, either because the customer does not feel it necessary to provide it to us or they are uncomfortable with providing their income. Provided we are able to verify income to determine account eligibility, we have further questioned how we will verify ongoing eligibility. At the point a customer is no longer an LMI individual, it would stand to reason that we would graduate them into our standard account products. Without establishing the accounts with an expiration date, determining continuing eligibility will be very burdensome.

An additional concern relates to the contradicting goals of the accounts. The Committee is proposing financial literacy for consumers; however, the account structure requires no or a low minimum balance with no repercussion for overdrafts. This structure does little to encourage the customer to actively manage their funds, whereas requiring a minimum balance or subjecting the customer to a service charge should they fall below the minimum would better serve the goal of financial literacy. As such, the Committee must decide if the goal of the account is to create a low-cost account or to create financial literacy.

The Committee appears to be under the impression that LMI individuals do not currently use traditional banks due to the costs of account products. The reality is that our financial institution, like most others, offers basic checking and savings accounts with little to no cost to the consumer. A consumer could open an account today with a virtually identical structure to that being proposed by the Committee. We believe we are already meeting the needs of LMI individuals in the communities we service. The primary difference between what the Committee is proposing and what we offer is that we allow the customer to structure an account to meet his or her individual needs and we expect that the customer will be responsible for the account activity, such as maintaining the account free of overdrafts; whereas the FDIC is proposing that we monitor account activity for the consumer and not penalize them should the account become overdrawn.

We are under the impression that the Committee is attempting to move consumers from less regulated payday lenders into a more traditionally banking environment. One fact that the Committee may have overlooked is that the services offered by payday lenders are not offered by traditional banks. As such, consumers who need advances on their funds will in all likelihood not switch to traditional banks even if the proposed products are available.

The safe, low-cost transactional and basic savings accounts being proposed by the FDIC, while well-intentioned, are attempting to correct a market issue in which traditional banks do not play a role. Many of the account features being proposed are offered today by financial institutions to all customers, regardless of their income level. As such, it would seem that the Committee is primarily concerned with re-establishing individuals who have abused prior accounts or with moving individuals who utilize payday lenders into the traditional banking system. As such, it is our opinion that the proposed accounts will be of little success.

Should the Committee decide to move forward with the concept, we would make the following recommendations to aspects of the account templates:

- Opening balance for transaction accounts should be a minimum of $50. Deposits lower than this can be an indicator of fraud.
- There should not be a monthly minimum balance requirement for transaction accounts.
- There should not be a monthly service fee for transaction accounts.
- There should not be check writing privileges attached to the transaction accounts.
- A maximum annual fee of $10 for issuance of a debit card should be allowed.

- Opening balance and monthly minimum balance requirements for savings accounts should be a minimum of $100.
- A monthly service fee of $5 should be allowed for savings accounts that fall below the account minimum.
- Disclosure of income, both at account opening and ongoing, should be required by consumers in order to qualify for the account. Consumers who refuse to provide this information should not be eligible for the account regardless of income level.
- An expiration date of two years after account opening should be allowed for the special account pricing.
- It should be at each bank’s discretion if they choose to participate in the program.
- Favorable CRA credit should be given to banks that choose to participate; however, criticism from bank examiners should not be allowed for electing not to participate.

Thank you for your consideration of our concerns and recommendations. Should the Committee have any questions, please contact me directly at 303-235-1353.

Sincerely,

Jeff Asher, CRCM, CAMS
Senior Vice President