

From: Barbara Johnson [bjohnson@ponyexpr.com]
To: Overdraft Comments
Sent: Fri 9/3/2010 1:17 PM
Subject: FIL-47-2010

See attached letter.

Attachment:

September 3, 2010

Federal Deposit Insurance Corporation
OverdraftComments@fdic.gov
Fax: 703-465-4303

Re: FIL-47-2010

Thank you for this opportunity to comment on the proposed regulatory guidelines relating to overdrafts as discussed in the FIL-47-2010. I certainly agree with FDIC's expectation that financial institution's management needs to mitigate the risks associated with offering automated overdraft payments programs while being in compliance with consumer protection laws and regulations.

I have worked in the banking industry for over 20 years; first as a regulator, then with a large banking institution and now a small bank. I have found that each size bank has its strengths and weaknesses. While the large bank can offer many more products, it is more likely to ignore the needs of the customer with modest means. Our small community bank offers many services intended to assist consumers in monitoring their accounts -- including internet banking, text and email alerts for low account balances, Overdraft and NSF notices mailed daily, monthly statements and a brochure that is available which addresses options other than frequent Overdrafts. We also process checks from smallest to largest, unlike many larger banks, to minimize the overdraft charges and we provide a one-time "Fresh Start" loan to consumers who are caught in the overdraft cycle. This is an interest-free loans that bring their account back to the positive, which is paid back over a few months.

Our bank personnel field numerous calls for account balances and make many calls to check with the consumer to see when deposits are being made into the account. Overdraft fees offset the large cost of processing and monitoring overdrawn accounts and contacting consumers for account maintenance. Our bank previously offered a small dollar loan program and discontinued the program due to excessive delinquency and collections problems.

Overdraft fees are a penalty and should be a deterrent for consumers to discontinue habitual overdrafts. Now you expect our bank personnel to personally contact and counsel every account holder who has overdrawn six or more times in any twelve-month period to offer additional alternatives. What alternative other than what we currently offer? The customers using this program do not generally have collateral to secure a loan and have no more incentive to keep their loan current than they did to keep their accounts in the black. And our experience is that most consumers who habitually overdraw their accounts do not have a Savings Account. The only other alternative is to close their account.

Our bank and most community banks have implemented reasonable, fair and helpful overdraft policies. The current practice is appreciated by the customer and far cheaper than other alternatives. If a few financial institutions are taking advantage of the financially unsophisticated, then address the problem with them. But do not burden the vast majority of banks with additional unnecessary financial regulations and guidelines because of a few bad apples. Ultimately, consumers should be responsible for their own actions. Transferring the responsibility of managing checking accounts to the bank will not benefit the consumer in the long run.

Thank you allowing me to comment on the Overdraft Payment Supervisory Guidance.

Sincerely,

/s/ Barbara J Johnson

Barbara J Johnson
Vice President