

**From:** Robert Sebaugh [RobertS@fsblivingston.com]  
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**To:** Overdraft Comments  
**Subject:** Overdrafts

I want to comment on the FDIC's proposed guidance on how Banks should implement and maintain oversight of automated overdraft payment programs.

I do not understand why a person would knowingly write a check on their account when they know they are going to over draw their account, but they do. My guess is that the FDIC and other regulators probably do not realize how important overdraft privileges are to Bank customers. I know I did not realize the importance until I tried to buck the system with my Bank and not offer Overdraft Protection like all the other Banks.

Not only do Bank customers want this, but a large majority of them would search for a bank that has an overdraft program and select that bank over another bank that does not have an overdraft program. I know this first hand because my bank refused to offer an overdraft program for years while all the other banks in our town offered "Free Checking with Overdraft Protection". We knew this was a gimmick to get people into their banks. For several years we tried to tell our customers that our checking accounts, that had a service charge, were a better deal than the free checking at the other banks. At the time this was going on, our overdraft fees were \$15 per item and the competition was \$20 to \$25 per item. Some people would listen, but ultimately we had to follow the lead of the other Banks. We were losing too much business. We ultimately cost our Bank many accounts that we will never get back. That is the price for trying to do what the government is trying to make Banks do now.

We finally implemented "Overdraft Protection with Free Checking" and it was a big hit. Unlike most banks, we did not try to make additional income on the deal. We figured what income we lost on implementing "Free Checking" and it amounted to about \$2.50 per overdraft item, so we raised our overdraft fees from \$15 to \$17.50 per item. Later the competition decided to offer "Free Debit Cards". At about that time, they raised their overdraft fees. This time instead of losing business to our completion, we followed their example. It took about another \$2.50 per overdraft item to pay for "Free Debit Cards".

There are a lot of people that cost themselves a lot of money with overdraft fees. Some of the fees they cost themselves are unbelievable, but they want the service and are willing to pay for it. This is no different than people that get gouged on Pay Day loans or run up huge credit card balances that have an interest rate of close to 30%. At least overdraft programs help save customers money on return check fees from vendors. These fees are usually around \$30 to \$35.

Somewhere down the line the government has to let customers make their own choices. Most customers realize they are overdrafting their accounts when they make a purchase, but they don't care. I am sure they would love to see the government eliminate overdraft fees all together, but what they don't realize is that this will eliminate their ability to overdrawn their account. No bank is going to do this for free.

Everyone wants to look at the bad parts of overdraft fees, but believe it or not, “Free Checking with Overdraft Protection” does benefit a lot of low income people. The beneficiaries of these programs are people that live from check to check, but are careful to manage their money to the penny. They keep very low average balances at the bank, but never overdraft their accounts. They get the benefits from the people who are careless with their money. The careless people pay the big overdraft fees, so the careful people can have a free checking account.

As crazy as it may seem, Overdraft Protection is a service customers want.

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