

From: mark@cattlemansnationalbank.com [mailto:mark@cattlemansnationalbank.com]
Sent: Monday, September 27, 2010 3:58 PM
To: Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

Mark Hodges
1001 Hwy 1431 W
Marble Falls, TX 78654-5004

September 27, 2010

Comments to FDIC

Dear Comments to FDIC:

By electronic delivery to:
OverdraftComments@fdic.gov

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429-9990

Re: Overdraft Payment Supervisory Guidance, FIL-47-2010, August 11, 2010

Dear Sir or Madame:

My name is Mark Hodges, Executive Vice President, of Cattleman's National Bank based out of Round Mountain, Texas. We are a \$75MM bank operating five branches in five separate Central Texas rural community markets.

I strongly oppose the FDIC's proposed guidance (FIL-47-2010) that addresses overdraft coverage programs. On the heels of the massive new requirements just implemented under Regulation DD, now is not the time to introduce further regulation targeted at overdraft coverage products. Combined with the significant expense and manpower incurred to implement new requirements under Regulation DD and Regulation E, retooling our current banking deposit products to accommodate a regulatory moving target will not help my bank serve its customers.

It is of great concern that this proposal will ultimately create a significant disservice to my customers who appreciate the assurances that accidental overdraft coverage offers in preventing a check or ACH transaction being returned unpaid resulting in an additional merchant-imposed fee being levied. FIL-47-2010 as proposed is another misguided regulatory barrier whose requirements are extremely burdensome and will cause our bank to have to make the tough decision of discontinuing such services and instead returning all insufficient check and ACH transactions, exposing my customers to fees far greater than those imposed by my bank.

Furthermore, I feel it is very important that banks retain the ability to post transactions in the order they deem appropriate as long as they do not manipulate processing to maximize overdraft fee income. My bank has always been accountable to its community's and its success is dependent on a mutually beneficially relationship with customers. If we engaged in "price-gouging" tactics, we COULD NOT do business in our community.

Should the FDIC proceed with adoption of the proposed guidance, please consider the following:

To specifically exempt ad hoc programs from this guidance. Ad hoc overdraft coverage is an extension of my bank's customer service and is based on our knowledge of the individual customer. Including ad hoc overdraft coverage in this guidance would damage the relationship between my bank and its customers.

The elimination of the requirement that banks monitor programs for excessive or chronic use (six overdrafts in a rolling twelve month period) and then contact the customer (in person or via telephone) to discuss less costly alternatives. This mandate would be extremely burdensome and operationally unworkable for my bank and would result in an excessive number of calls, causing us to either discontinue our overdraft coverage program, or to close the customer's account and return all payments. Over the past 10-12 years I've had many customers who've taken advantage of overdraft protection programs rather than maintaining an accurate picture of their account's balance. For these customers, who have repeatedly indicated that they are willing to absorb any overdraft charge caused by their own failure to keep good records, requiring the bank to contact them and offer less costly alternatives would yield no benefit. I have in fact, personally counseled many of these customers over the years on less costly alternatives, and they have simply refused to participate in them.

Finally, I am very concerned with the notion that a bank, a for profit enterprise with whom it has a contractual deposit relationship with its customers, might be required to limit the amount of fees that a customer could incur as a result of violating their depository contract. Our bank has always priced overdraft fees based on three criteria, 1) to offset the special handling costs associated with such items, 2) to manage the associated risk associated with handling such items, and 3) to create a deterrent to encourage consumers to engage in more financially-responsible behavior.

I urge the FDIC to carefully consider this measure to ensure that the guidance does not impede my bank's ability to provide overdraft coverage services to my customers. If we are forced to abandon or significantly alter these services due to regulatory burden, the result could lead more consumers into becoming unbanked or relying on other products such as prepaid debit cards and check cashing services, which have higher fees and foster unsound financial practices.

Sincerely,

Mark Hodges
830-693-5318