IOWA BANKERS ASSOCIATION

8800 NW 62nd Avenue
PO Box 6200
Johnston, Iowa 50131-6200
515-286-4300 • 800-532-1423
515-280-4140 FAX
www.iowabankers.com

Via Electronic Delivery to:
OverdraftComments@fdic.gov

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Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429-9990

Re: FIL-47-2010

Ladies and Gentlemen:

Iowa Bankers Association (IBA) is a trade association representing over 350 banks and savings and loan associations operating in the state of Iowa. Our membership is predominantly comprised of banks and savings associations deemed to be "small" or "intermediate small" for purposes of the Community Reinvestment Act (CRA). Most banks offer at least one form of overdraft protection service; many offering a range of services, including discretionary payment on a case-by-case basis review of account activity by the account officer, automated overdraft payments up to an established overdraft limit, preauthorized transfers from savings or another deposit account of the customer, and overdraft reserve open-end credit lines disclosed in accordance with Reg. Z requirements.

We appreciate the opportunity to comment on the FDIC Overdraft Payment Supervisory Guidance. First, we echo and support the comments made by the American Bankers Association in its comment letter dated September 22, 2010: http://www.aba.com/aba/documents/news/OverdraftLetter92210.pdf.

In addition, we offer the following comments for your consideration:

Since the implementation of the Federal Reserve Board's recent amendments to Regulations E and DD, several of our members have reported that their customers are ***coming to them*** asking for overdraft protection. In each case, the banks had not previously provided a courtesy or automated overdraft protection program, though each offered transfers from deposit accounts and/or overdraft lines of credit. These banks found that the increased publicity, marketing and competition surrounding the Reg. E notice and opt-in requirements drew the attention of their customers, who asked why these banks weren't offering such automated programs to their own customers.

Many customers rely on overdraft programs to help them manage short-term credit needs. Without the availability of overdraft services at their banks, consumers often find themselves minimally short of funds between paychecks, or in the event of unexpected expenses, such as emergency medical costs, greater than expected heating/cooling bills, or unanticipated educational costs. Those consumers who regularly use these courtesy or automated overdraft services frequently do not have the financial resources or creditworthiness for savings accounts or open-end credit products for optional overdraft services. If the availability of courtesy or automated alternative protection programs is severely limited, as would be the result if the proposed guidance is implemented, these consumers will be forced turn to alternative, significantly more expensive sources of funding outside traditional banking, such as payday lenders or pawn brokers. In addition, banks report their customers appreciate the availability of a courtesy overdraft program, saving them the inconvenience, embarrassment and costs (additional merchant fees) of denied or returned transactions.

Finally, it is important to recognize that ultimately consumers bear the cost of increased regulation. The cost of the system changes, staff training, account monitoring, etc., that will be necessary to implement the FDIC's suggested oversight of overdraft protection programs can only be absorbed to a certain point before institutions are forced to raise fees related to overdraft activity. This has been evidenced time again in the past 12-24 months with recent consumer protective measures. For example, many of our member banks reported raising their loan processing (or origination) charges in order to cover the additional costs related to RESPA revisions and early disclosure requirements under both RESPA and Regulation Z. Others have reported they will start passing on the cost of previously waived credit report fees due to the upcoming compliance costs related to the risk-based pricing requirements. As it relates to the recent Reg. E and Reg. DD overdraft requirements, banks report needing to implement annual or monthly fees for ATM/debit cards and new or increased per items fees for these transactions in order to cover related compliance costs.

Consequently, we cannot support the FDIC's proposed arbitrary and restrictive limits on consumers' use of a product that so many have effectively used and managed in the past. The required monitoring and contact mandate when customers overdraw accounts on more than six occasions in a rolling twelve-month period will cause unnecessary burdens on banks. The monitoring and contact requirements are particularly objectionable, given that it is the ***customer's*** own action and choice to overdraw the account; banks do not control if or when a customer issues payments from an account. Moreover, consumers are already counseled as to alternatives to "courtesy" or automated overdraft services, as mandated under revised Reg. E and included in each bank's notice and opt-in (as illustrated in Reg. E Model A-9).

Since the issuance of the "2005 Joint Guidance on Overdraft Protection Programs," nearly all banks have adopted overdraft monitoring programs and procedures to identify excessive or abusive use of overdraft privileges. When appropriate, banks work with customers on a case-by-case basis to determine the best overdraft service depending on the customer's resources and creditworthiness.

With the passage of the Dodd-Frank Act and the establishment of the Consumer Financial Protection Bureau, we believe it is preemptive for one agency to mandate its supervised institutions to comply with restrictive and unduly burdensome guidance (likely to be examined with the weight of a regulation). It sets one agency's supervised institutions at a distinct competitive disadvantage.

For these reasons, we respectfully request of the FDIC to withdraw is proposed guidance.

If you have questions about these comments, please contact the undersigned at 515-286-4391 or via e-mail, dbauman@iowabankers.com.

Sincerely,

Dodie Bauman

Dodie Bauman, CRCM
Compliance Manager
IBA Compliance Department