

# Woodland Bank



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September 25, 2010

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

RE: Overdraft Payment Programs and Consumer Protection, FIL-47-2010

Ladies and Gentlemen:

Woodland Bank welcomes the opportunity to respond to the proposed Federal Deposit Insurance Corporation's (FDIC) Financial Institution Letter (FIL) highlighting FDIC's expectations for overdraft Protection Programs. Woodland Bank does not have an automated overdraft protection program but internally administers our own on a discretionary basis.

**We strongly encourage the FDIC to NOT follow through with these new regulatory requirements.**

It is our belief that the purpose of these requirements is based upon a sense that certain consumers are suffering from excessive overdraft fees. I am certain that is the case in a few instances. But, I would like to share our own history of overdraft issues and what our own response will be to our non-intended customers. I believe this will be the case in many other community banks across the United States.

On average we have about 160 overdraft accounts per day out of over 5,000. They are comprised of both consumer and commercial accounts but a far majority is consumer. This small minority provides on average about \$40M/month in overdraft income. We charge \$22.00 per item. If instituted, you can see that we would likely lose a significant amount of income. This is on top of the recent Fed overdraft rules, elevated FDIC Insurance Costs, low interest rate environment and many other regulatory and recessionary costs. Frankly, this would be the final straw and we have identified initiatives to offset the expected drop in income which would impact a large majority of our customers who are mostly low to moderate income.

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Some options we are considering include:

- Refrain from making loans under \$5,000.00. (we have always provided these money-losing loans because of the real need in our communities)
- Refrain from offering free checking. We will begin instituting a monthly service charge based upon average collected balances. Again, this will impact a large majority of our customers most who do not ever have an overdraft.
- Reduce employee benefits including health care, 401(k) contributions, and short and long term care.
- Consider reducing staff levels.
- Lowering Deposit Rates and Increasing Loan Rates for all customers.

The point I am trying to make is that the FDIC is increasing costs to the large majority of consumers at the expense of a few individuals who can help themselves by keeping track of their own financial issues. Obviously I can't assume that other community banks will pass on costs to make up for the lost overdraft income, but most of the colleagues I talk to are considering the same approach.

I have read many of the comments from our industry associations and I fully endorse their stance. My purpose was to provide you one bank's dilemma to this short sighted proposal.

Thank you for the opportunity to respond to these important issues. Remember, you are imposing significant new costs that all banks will have to address at the expense of a large majority of the consumers.

Sincerely,

A handwritten signature in cursive script that reads "Brian Nicklason".

Brian Nicklason  
President  
Woodland Bank