

From: Franklin Weber [fweber@statenb.com]
Sent: Thursday, September 16, 2010 3:03 PM
To: Overdraft Comments
Cc: [Name]
Subject: RE: FDIC Overdraft Comment Letter

September 16, 2010

Federal Deposit Insurance Corporation
DELIVERED VIA E-MAIL:

OverdraftComments@fdic.gov
550 17th Street NW
Washington, D.C. 20429-9990
Re: FIL-47-2010

Dear Sir or Madam:

I am the Vice President and Cashier at State National Bank in Big Spring, Texas. We are a locally owned community bank with a deposit base of approximately \$198MM.

I am writing today to express my concerns about the proposed changes detailed in FIL-47-2010. I believe that this misguided attempt to reign in the abuses of a select few banks will adversely impact our customers and will result in a disparate negative impact on low to moderate-income families.

We do not have a formal overdraft protection program and our current NSF and OD fees are \$15 per item. In addition to having some of the lowest overdraft fees in the nation, we also waive fees on about 36% of the items presented. The bank pays approximately 91% of items presented thereby saving the customer a return fee charged by the merchant that averages \$32 (more than twice our fee), late payment fees, additional interest on loans, and criminal prosecution for issuing hot checks.

The bank makes a daily credit decision on each item presented manually based on the customer's anticipated deposits and account history. We have never had a practice that allowed a customer to overdraw their account via the use of a debit or ATM card. We have always managed the bank's response to a customer's overdraft in a manner that was mutually beneficial to both the consumer and the bank. In instances when the consumer was unable to manage a checking account, we have provided financial counseling. In some cases, we have disallowed a consumer from continuing to maintain a checking account, but rather shifted them to a savings account to prevent them from overdrawing their account. We GAVE UP fee income to act in the best interest of the consumer.

I feel that the six overdrafts is a ridiculously low number and that the bank should be allowed to continue to manage our customer accounts in a manner that services their needs. While the most of our customers rarely issue NSF checks, sometimes economic factors leave them with little or no choice but to issue a check that will overdraw their account.

The typical customer that chooses to overdraw their account at this bank will be overdrawn approximately 12 times a year. They may have multiple checks for each overdrawn day. For the sake of this conversation, assume that on a typical day, the bank is presented with two NSF checks on the average OD customer.

If banks are required to abide by this standard, I feel the following will occur:

- The average annual cost to our average consumer customer could increase from \$216 (based on our average OD paying and fee collection rates) to at least \$594 (based on 6 OD fees and 18 merchant fees for NSF checks @\$32.98).
 - This will unjustly enrich the retail establishments who are subject to no regulatory limits on the number of fees they charge the consumer. These are per item fees with no annual limit,
- Low-income consumers will be forced to seek loans from predatory sources such as payday lender, title lenders, loan sharks, and pawnshops to replace the lower cost short term financing of DDA overdrafts.
- The consumer will face increased fees resulting from NSF items charged by utilities, landlords, credit cards companies, auto finance companies, and other vendors.
- Foreclosures and repossessions may increase causing additional economic strains on the consumer.
- The acceptance of the consumer's checks will be restricted at retailer such as grocery stores and discounters because of returned check activity. This will have a disparate adverse impact on low to moderate consumers.
- The number of unbanked and under banked consumers will rise. Some consumers will determine that they can no longer maintain a checking account and will return to a cash basis.
 - This will result in higher check cashing fees and bill payment fees charged to the consumer by Money Service Business.
 - This will also result in some lower income consumers ability to pay for life insurance products that provide a safety net to the family in times of crisis. This will limit the consumer's ability to build wealth.
- A greater dependence on payroll cards and an increase in fees paid by the consumer to access the funds on such cards.
- A dramatic spike in prosecutions for hot checks, thereby further increasing the cost to the consumer and weakening their financial condition while adding stress to working families.

I am struck by the fact that the FDIC is proposing this guidance with the hopes of protecting customers, but customers will ultimately be harmed by the adoption of said guidance.

I appreciate your providing me with the opportunity to comment on this matter and I hope the FDIC will reconsider the promulgation of this guidance in favor of a more reasonable approach. I hope that the FDIC will recognize that only the consumer can control the balance in their account and that most community banks work with, for their customers, and not against them.

Sincerely,

Franklin E. Weber
 Vice President and Cashier
 State National Bank
 432-264-2146