

September 24, 2010

Federal Deposit Insurance Corporation
550 17th Street NW
OverdraftComment@fdic.gov
Washington, D.C. 20429-9990

Delivered Via E-Mail

Re: FIL-47-2010

Dear Sir or Madam:

I am Tim Cooper, President of First State Bank Spearman, Texas with assets of 100 million serving its customers in our area for over 93 years. We employ about 25 people in our organization and serve the banking needs of approximately 1800 customers in this area.

In response to your proposed regulations regarding overdraft programs, if our customers do not want our overdraft program, WE DO NOT MAKE THEM BE IN THE PROGRAM. The reality is that our customers want the overdraft program and if they don't like it, they have over 9000 banks nationwide that they can pick a different program from. I would think that gives consumers a lot of options instead of making each bank the same. Every bank has different fees and programs which the consumer can pick from. FDIC is trying to socialistically define the overdraft program to be the same for every bank which is not fair to the consumer.

If a customer has requested to be in an overdraft program, they understand that they will be charged for items that overdraw their account. Our customers like this service and use it to manage their accounts. Now if FDIC restricts the bank from only charging customers for only six overdrafts during the rolling 12 month period, then two things are going to occur at banks.

1. Banks will discontinue overdraft programs and return any items that overdraw a customer's account. The reason banks will do this is because it would be very expensive for banks to pay items into overdraft and not be afforded the opportunity to receive a fee for each of the overdrawn items. (I.e. the processing cost for each of these items as well as the risk related to allowing an account to be overdrawn for a certain amount). Also, once banks discontinue overdraft programs, customer's checks will be returned when there are insufficient funds to cover that check. Customers will then be subject to merchant fees for returned checks. Many times the fees charged by merchants are far greater than those charged by

banks under an overdraft program. An unintended consequence for our customers will be higher fees and a decrease in service levels; increased fees not paid to the bank, but to other entities collecting on “bad” checks.

2. Banks would limit their overdraft program to only the occasional overdraft customer significantly reducing the programs participants. Although, this would significantly reduce the amount of income to the bank, the bank would be following the guidelines of the proposed FDIC recommendations. Again, this penalizes our customers who truly want this service but would be denied because of your intentions to protect the consumer.

Another area of complete confusion is that of “appropriate” daily limits on overdraft fees. The FDIC should clarify and explain their supervisory expectations regarding overdraft programs. As written, the supervisory expectations leave room for a wide range of interpretations by both FDIC examiners and financial institutions. This will ultimately lead to unequal enforcement standards by FDIC examiners.

Finally, banks are so overregulated by our government that approximately one fourth or more of our annual income goes to the expense of compliance. Just think how much less the consumer would have to pay for financial services if banks were not overburden with so much cost to comply with so many regulations. And now FDIC wants to add more ways to reduce the banks income and reduce the level of service to our customers on a product that they truly use and appreciate. Let us take care of our customers; we know them much better than you. First State Bank and all the other community banks around the country did not cause the financial crisis, so get off our backs. Let us operate like a “for” profit company that requires us to take care of our customers in order to survive. And if we do not take care of our customers properly, then they have thousands of other banks in which to pick from. I think the term is called FREE ENTERPRISE.

I appreciate you providing me with the opportunity to comment on this matter and I hope the FDIC will reconsider their recommendations regarding overdraft programs.

Sincerely,

Tim J. Cooper
President