

From: lisabrown@nssb.cc [<mailto:lisabrown@nssb.cc>]  
Sent: Monday, September 27, 2010 8:58 AM  
To: Comments  
Subject: FDIC Proposed Guidance on Overdraft Coverage

Lisa Brown  
7 N Broadway, PO Box 97  
North Salem, IN 46165-0097

September 27, 2010

Comments to FDIC

Dear Comments to FDIC:

By electronic delivery to:  
[OverdraftComments@fdic.gov](mailto: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:

I am the Compliance Officer at North Salem State Bank, North Salem, Indiana. We are a small community bank (\$148 million in assets) located in West Central Indiana. We have 5 branches and employ about 50 people. Our market is mostly rural and our customers are generally well known to us.

I strongly oppose the FDIC's proposed guidance (FIL-47-2010) that addresses overdraft coverage programs. Simply put NOW IS NOT THE TIME to introduce further regulation targeted at overdraft coverage products. My bank has just implemented new requirements under Regulation DD (Truth in Savings) and Regulation E (Electronic Fund Transfers) at great expense and manpower. Having to rework our bank's deposit products and to accommodate a regulatory moving target does not help my bank serve its customers. We have been overburdened with regulatory changes in the past year and we need to put the focus back on doing business.

I'm afraid that this proposal will ultimately do a great disservice to my customers, many of which appreciate the assurances that accidental overdraft coverage offers in preventing a bill being returned unpaid or a merchant-imposed fee being levied. If regulatory barriers and requirements become too burdensome, I will be faced with discontinuing these services and returning all check and ACH transactions, exposing my customers to fees far greater than those imposed by my bank. Many of our customers rely on the overdraft coverage we provide.

My bank does not manipulate transaction processing to generate more fees and higher revenue. My bank is accountable to its community and its success is dependent on a mutually beneficial relationship with customers. If we engaged in "price-gouging" tactics, we COULD NOT do business in our community. The recent Reg E changes have already reduced our income from overdraft fees. Further reduction of this income would force the bank to seek income from other sources, increase fees in other areas and reduce

the number of services offered to our customers.

If the FDIC proceeds 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. We already monitor our overdrafts and are familiar with the customers who are using the service. It is not unusual for a customer to have six overdrafts in a short period. We always encourage customers to use their accounts responsibly but in these tough economic times, the customer sometimes relies on the overdraft coverage.

Not to prescribe the order of transaction posting. Banks should 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.

To allow banks to charge a fee for returning items paid by check or ACH. Processing return items represent expense and employee attention and should not be provided free of charge.

Our small bank is already overburdened with regulatory changes. The Dodd-Frank act will add additional burdens in the next few years. I am the sole compliance officer at North Salem State Bank and we are already struggling to keep up with changes that we must address. Please reconsider the changes to overdraft coverage services as it would unduly hurt our customers and cause additional burden and loss of income to our bank.

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,  
Lisa Brown  
765-676-5100