

From: Larry Burns [<mailto:lburns@cowboybank.com>]  
Sent: Tuesday, September 28, 2010 10:16 AM  
To: Overdraft Comments  
Subject: Fw: FDIC Proposed Guidance on Overdraft Coverage  
( Corrected spelling from yesterday)

----- Original Message -----

From: [Larry Burns](#)  
To: [overdraftcomments@fdic.gov](mailto:overdraftcomments@fdic.gov)  
Sent: Monday, September 27, 2010 11:01 AM  
Subject: FDIC Proposed Guidance on Overdraft Coverage

Gentlemen,

I run a small community bank in Maypearl, The Cowboy Bank of Texas. For the past six years we have been extremely successful and avoided the economic pitfalls which have threatened many community banks.

We are a \$42M bank with approximately 1000 customers. Our primary ability to compete with larger financial institutions is based on our personal relationships with our customers. As they borrow infrequently, our most common interaction is through customer bank accounts. When those accounts become overdrawn, our customer base relies, in fact, trusts us to cover their account to avoid the embarrassment of a returned check. For that service, they are willing to pay a reasonable overdraft fee.

Our banks pays almost every check into the overdraft. Those checks could be returned and my customer charged a bank fee. The depositor would assess a charge-back fee to my customer and then re-deposit the check. If the account were still NSF, the bank could assess another fee. The result would be three charges to the customer instead of one.

As the effect of regulation cuts into bank profitability, banks will elect to minimize overdraft losses. Those losses occur when overdraft accounts are never covered and charged off. Banks rely on NSF fees to help cover those losses. Consequently, banks will return more checks causing customer embarrassment and multiple charges.

As more and more overdraft regulations are passed to protect customers from their own financial decisions, financial institutions will be forced to seek remedies for the loss of revenue and expense of increased workloads. While I have avoided increasing overdraft fees for almost five years, I can guarantee the effect of this legislation will not only bring higher NSF and overdraft fees but cause more and more checks to be returned.

Legislation designed to reduce customer costs will almost certainly increase those costs.

Larry Burns, President  
The Cowboy Bank of Texas