September 27, 2010

FDIC

Dear Sirs:

Regulation E has now been put into effect by the banking system at substantial cost. Required mailings from banks to customers and constant media attention triggered an influx of confused customers to overload banking centers with questions about the meaning of Reg. E and how it will affect them. While there was public support for Regulation E, banks and customers suffered through an unnecessary hardship. Further regulatory constraints regarding overdrafts will have unintended consequences such as higher fees, a decrease in service levels and further risk to the banking system.

Accountholders are already made aware of alternates to fee based overdraft programs at account opening and within required disclosures related to ATM and everyday debit card overdraft service opt-in. There is no need to require financial institutions to repeatedly remind accountholders of these services throughout the life-cycle of the account. Once the account has been established and the accountholder has made decisions at account opening, there is not a need to notify the customer unless of a change.

The FDIC should not require financial institutions to contact accountholders by means other than written, or electronically if the accountholder agrees. If adopted, this requirement will place severe compliance costs, to include additional staffing, infrastructure, and training, on all financial institutions without manifesting the intended results. Procedures and documentation has been put into place to confirm the customer's choice of correspondence. This should be a decision of the customer not the FDIC.

Customers expect and welcome financial institutions paying their reasonable overdrafts. If regulators continue placing constraints on overdraft programs, financial institutions will not longer offer these programs. As unintended consequence for the accountholders will be higher fees and decreased in service levels; increased fees not paid to the bank, but to other entities collecting on "bad" checks. Based on need the customer will use the overdraft service one way or another and the cost could result in more significant loss from other entities versus the bank. Customer's are aware of this service and choose to participate.

Regulation E in its current form has increased labor demands, possibly made overdraft protection less profitable, and may in the future increase the risk to the bank. Continued regulation in this area may have a cumulative effect in risk and profitability which could negatively impact customers by reducing their choices in products available to assist in their overdraft needs.

Brad Butler
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