

From: john.cerny@iibk.net [mailto:john.cerny@iibk.net]
Sent: Monday, September 27, 2010 6:48 PM
To: Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

John Cerny
401 W. Front St.
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September 27, 2010

Comments to FDIC

Dear Comments to FDIC:

By electronic delivery to:
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:

Idaho Independent Bank (IIB), currently approximately \$470 Million in assets, was founded in October of 1993 to fill a void in Idaho caused by the many bank mergers, consolidations, and centralizations taking place at the time. We believe that customers come first and do not want to deal with big, impersonal banking giants. We believe that customers are looking for an Idaho bank with friendly people who are more apt to know them by name, a bank with local management that can approve loans without a lot of red tape, and that offers a full-service product line utilizing the latest technologies. This is what IIB strives to provide to our customers. We serve customers in the Coeur d'Alene, Hayden, Boise, Nampa, Meridian, Caldwell, Mountain Home, Star, Eagle and Ketchum markets.

We take pride in adhering to not only the requirements of the various regulations, but, more importantly to the spirit in which those regulations were intended. We value doing what is right and want to continue to work to ensure that we do what is right for the customer as well as for the Bank. We strongly believe that additional regulations are not required to ensure that we do the right thing for customers.

We strongly oppose the FDIC's proposed guidance (FIL-47-2010) that addresses overdraft coverage programs.

We are accountable to our communities and our success is dependent on a mutually beneficially relationship with our customers. If we engaged in "price-gouging" tactics, we COULD NOT do business in our community.

We believe that this proposal will ultimately do a great disservice to our customers, many of which appreciate the assurances and conveniences that accidental overdraft coverage offers in preventing a bill being returned

unpaid or a merchant-imposed fee being levied.

Without these overdraft programs our customers would be exposed to fees greater than those imposed by the Bank, i.e., fees for returned checks assessed by merchants, etc.

Our Overdraft program is not promoted or marketed, is not fee based and is not a feature of any account offered by the Bank. We believe that our program promotes accountability and does not penalize customers. Additional regulation is not needed when we are already doing the right thing for our customers. The proposed regulation would essentially require promotion of overdraft programs that could lead to more customer confusion and greater cost to the customer and bank.

Customers are qualified for the program after a thirty day time period. The qualification establishes a risk limit for potentially paying a customer into the overdrafts.

Balances reported to customers do not include the scored overdraft limit. The balance reported reflects the customers actual account balance. There is no additional amount available to the customer due to the overdraft program. This system promotes customer accountability without the need for regulation.

The overdraft pay and return charges are disclosed to customers and are the same for all customers whether the customer is in the program or not.

The scored limit is a risk limit that lets the bank determine whether a customer could potentially be paid into the overdrafts, based on account history, length of time with the bank, etc., and how far into the overdrafts a customer might be paid. This process is no different than the decision process utilized in a manual overdraft processing system.

Overdraft charges are routinely refunded/waived for customers who are overdrawn for the first time during the current 12 month rolling period.

Customers are counseled about overdraft product alternatives when they are overdrawn and contact the Bank. Every attempt is made, where possible, to work with the customer to resolve the overdraft and to counsel them on other alternatives. Customers are contacted the day of the overdraft, then during the period of time the account is overdrawn numerous attempts to contact via letters and phone calls are initiated to counsel and offer assistance.

Customers are removed from the overdraft Program at their request or at the Bank's discretion based on how the respective customer is handling their account on an ongoing basis.

We believe that our overdraft program meets the needs of our customers and is for their benefit and convenience without the need for additional regulation. Additional regulation will add cost to the banking system, expose customers to greater fees, reduced services and potential liability. Customers will face an increased potential of dealing with check collector firms and/or collection agencies. If the FDIC adopts the guidance as proposed, please consider the following:

Ad hoc overdraft programs should be exempted. Ad hoc overdraft coverage is an extension of our customer service and is based on our knowledge of the individual customer. Including ad hoc overdraft coverage in this guidance would damage the relationship with our customers.

Eliminate the requirement to set daily thresholds on overdraft fees. We price this fee to manage the associated risk and as a deterrent to encourage consumers to engage in more financially-responsible practices.

The order of transaction posting should not be prescribed. 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.

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.

In summary, placing additional regulatory requirements on overdraft programs that have been established as a service and convenience for customers and to determine the risk limits the bank can allow related to customer overdrafts will have a detrimental impact on customers as well as banks. Customers will face having more checks returned rather than paid. Customers will then face return check charges from banks as well as merchant charges and potential collection activity against them.

Banks will face increased costs to adhere to requirements. This will force banks to evaluate whether paying overdrafts is a service that should be offered for the increased costs and risk to be incurred.

We strongly disagree with evaluating the waiving/refunding of overdraft charges against Fair Lending Standards. We work with all customers the same. This requirement will only serve to discouraging the waiving/refunding of overdraft charges to customers.

The proposed guidance creates a situation banks that currently work with customers and are doing what is right are penalized, through increased costs, increased risk and income that does not cover their costs and risk. Customers will be penalized through increased costs/expenses, restricted services/conveniences, and increased potential liability.

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,

John Cerny - Vice President Operations & Risk Mgmt.
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