

From: mcoleman@applecreekbank.com [mailto:mcoleman@applecreekbank.com]
Sent: Monday, September 27, 2010 10:03 AM
To: Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

Michael Coleman
3 W. Main St., P.O. Box 237
Apple Creek, OH 44606-0237

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:

For over one hundred years, The Apple Creek Banking Company has provided high-quality banking services to customers in the communities we serve. For as long as has been required, our bank has dutifully paid our FDIC premiums and to my knowledge, our bank has never represented a risk or even a mild concern to our primary regulators or to the Federal Deposit Insurance Corporation due to unsafe or unsound banking practices. We take pride in doing things right, and in doing the right things -- for our customers, for our shareholders, for our regulators and for our continued success in the community banking industry. It is our intention to continue to support the communities we serve by offering sound financial products and services to consumers.

I strongly oppose the FDIC's proposed guidance (FIL-47-2010) that addresses overdraft coverage programs. Rules enacted purportedly for the benefit of consumers should be the result of an inter-agency effort to ensure consistency and fairness in its application for both banks and the customers we serve. From my perspective, it would appear that the proposed regulation is designed to address overdraft practices at a few of the very largest of banking institutions without regard for overdraft practices currently in place at smaller, community-oriented banks.

I fear that this proposal will ultimately do a great disservice to my customers, many of which appreciate the assurances and convenience that overdraft coverage at a community bank offers. For as long as there have been checking accounts, there have been overdrafts. Regardless of whether

overdrafts are considered an operational issue or an extension of short-term credit, customers have become accustomed to the convenience and cost of this essential product. If regulatory barriers and requirements become too burdensome, I will be faced with discontinuing these services and returning all overdraft check and ACH transactions, exposing my customers to fees far greater than those imposed by my bank.

My community bank does not manipulate transaction processing to generate more fees and higher revenue. In fact at my community bank, revenues from overdraft and NSF fees have actually DECREASED over the past two years. Since we have not changed our transaction processing practices, and since regulatory agencies have not implemented proposals to prevent overdrafts, I can only assume that my customers are managing their financial affairs more responsibly without assistance from overly protective regulatory bodies.

My community 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, our customers would simply move their accounts to a more customer-friendly financial services provider. If we could no longer offer products and services desired by our customers, those customers would seek out these services from providers outside our regulated industry. Remember what happened when consumers sought home mortgages from suppliers outside of our regulated banking industry? That's right -- Subprime and Alt-A credit. In my opinion, nothing could be better for the "payday loan" industry than for banking regulators to enact overly-restrictive overdraft regulations in the name of "consumer protection". While your intentions may be good, I fear this type of regulation may be fraught with unintended consequences.

If the FDIC proceeds with adoption of the proposed guidance, please consider the following:

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.

To 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.

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.

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,

Michael R. Coleman