

September 27, 2010

Federal Deposit Insurance Corporation
DELIVERED VIA E-MAIL:
OverdraftComments@fdic.gov

550 17th Street NW
Washington, D.C. 20429-9990

Re: FIL-47-2010

Dear Sir or Madam:

Southside Bank appreciates the opportunity to provide comment on the proposed Overdraft Payment Supervisory Guidance that was issued on August 11, 2010.

Southside Bank is a community-focused financial institution that offers a full range of financial services. These services include consumer loans including overdraft lines of credit; deposit accounts with discretionary overdraft privilege available; credit cards; ATM's; and an array of electronic services available through our website. Our customers are our most important asset and our mission is to understand and provide for our customers' current and future financial service needs. At year-end, total assets were \$3 billion. We currently have 48 banking centers, 50 ATM locations and continue to maintain an Outstanding CRA Rating. Our goal has always been to provide quality value driven financial products and services to the local communities that we serve. The year 2010 marks the 50th anniversary of serving the financial needs of our community and we believe our success comes from an accurate understanding of what our customers need and want and hope that our perspective will be beneficial to you.

We feel that the current proposed rules will have a significant adverse effect on our institution and will not provide additional benefits to our customers. Our financial institution currently offers a discretionary overdraft program that fully complies with the best practices outlined in the interagency guidance issued in 2005 including the right to "opt out" of the program. We also offer a formal overdraft line of credit product. Bank employees are trained to inform customers of both available overdraft services and how the terms, including fees, for these services and products differ.

Currently Southside Bank provides the customer a notice each time their account is overdrawn. Included in the notice is information regarding any item paid and the associated fee. At each monthly statement cycle, the customer receives a total of all Overdraft fees for the statement period and year-to-date as required by Regulation DD. In addition, customers must bring their account to a positive balance every 30 days in order to prevent the customer from creating a crippling cycle of debt. If the balance is not brought positive within the 30 days, the bank overdraft privilege is suspended and the customer is offered an interest-free repayment program to cover the overdraft balance. In addition, Southside Bank's payment order of items is designed to minimize the cost to customers and benefit them the most. The bank posts transactions to our customer's account from smallest amount to largest amount, with the exception of checks. Checks are paid in check number order to reflect the order in which they were written by the customer. The bank also limits the number of overdrafts that can be assessed per customer per day.

Based on the guidance, it appears the FDIC is under the impression that banks are taking advantage of their customers in the offering of overdraft payment programs. Our experience is that our customers want

this service and feel good about the protection it offers. Customers can change banks at any time for any reason--and do. We believe that if this product was harmful to our customers or deceptive in any way, they would not continue to do business with us. We cannot make decisions for how customers spend their money. Customers who overdraw are aware of the consequences of their conduct (assessment of the overdraft fee) and are acting in accordance with their preferences. They do not need repeated counseling that they can opt-out of the convenience they are choosing to accept. We are always available to work with customers who would benefit from alternatives in managing their transaction activity.

We retain our customers because of the customer service and product array that we provide them. Competition in today's marketplace is tough, and we are doing everything we can to ensure we keep the customers we have. If customers felt as though we were taking advantage of them, we would certainly no longer be their banker. In addition, if FDIC regulated banks are required to handle their overdraft programs in a manner that is contrary to what customers want and expect, we will be at a competitive disadvantage to other non-FDIC regulated banks. By requiring a FDIC bank customer to come into the bank and receive one-on-one counseling after 6 overdraft fees and then possibly closing their accounts, we will create frustration for our customers and they WILL go to another bank to get what they want.

The market has driven this product and customers want it and use it of their own free will. We are not opposed to sending additional educational materials to our customers after they have had an excessive number of overdrafts and requiring them to affirmatively consent/opt-in to continuing the overdraft payment service. In person counseling seems extreme. It becomes harder and harder for our bank customers to visit our physical locations. A large majority of our customers lead very busy lives and prefer to manage their accounts through internet banking, direct deposit, and drive-thru banking rather than in-person. They will become very upset if we require them to come into the bank to receive counseling on how they should handle their finances. Even if the bank educates the customer on other options, such as sweeps from a savings accounts or overdraft lines of credit, most of these customers do not have savings accounts (thus the reason for the overdraft) or cannot qualify for a line of credit. This counseling process will be very frustrating for them. Customers are very aware of the fees associated with overdrafts and are in control of when they are assessed. Furthermore, if a customer repeatedly tells his banker that he is okay with any overdraft expenses incurred, a banker calling that customer every six months to counsel him on credit alternatives could not only be viewed as harassment, it could also be grounds for the customer taking his business to another bank.

Six overdrafts, in a rolling 12-month period, requirement is an arbitrary number that, in our experience, is an extremely low number of overdrafts to invoke one-on-one counseling with a deposit account holder and possible closure of the account. We would like the discretion of determining what "excessive usage" is for our customers that would require additional customer contact and education.

Many of our customers take advantage of overdraft programs rather than maintaining an accurate picture of their account's balance. For these customers, who have repeatedly indicated that they are willing to absorb any overdraft charge caused by their own failure to keep good records, requiring the bank to contact them and offer less costly alternatives would yield no benefit. In fact, the majority of these customers have been counseled on less costly alternatives and have simply refused to participate in them.

We appreciate the opportunity to comment on the proposed guidance and anticipate there will be positive changes to the proposal.

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