

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

Emily Drozd  
406 West Grand Ave. - P.O. Box 778  
Yoakum, TX 77995-0778

September 27, 2010

Comments to FDIC

Dear Comments to FDIC:

By electronic delivery to:  
[OverdraftComments@fdic.gov](mailto: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:

Our bank is a \$126 million dollar institution located in Yoakum, Texas. We have been in business since June 1926.

I strongly oppose the FDIC's proposed guidance (FIL-47-2010) that addresses overdraft coverage programs. Simply put now is not the time to introduce further regulation targeted at overdraft coverage products. My bank has just implemented new requirements under Regulation DD (Truth in Savings) and Regulation E (Electronic Fund Transfers) at great expense and manpower. Having to rework our bank's deposit products and to accommodate a regulatory moving target does not help my bank serve its customers.

Further, any additional rules 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.

Lastly, I fear that this proposal will ultimately do a great disservice to my customers, many of which appreciate the assurances that accidental overdraft coverage offers in preventing a bill being returned unpaid or a merchant-imposed fee being levied. If regulatory barriers and requirements become too burdensome, my bank may be faced with discontinuing these services and returning all check and ACH transactions, exposing my customers to fees far greater than those imposed by my bank.

We COULD NOT do business in our community if we engaged in "price gouging". My bank does not manipulate transaction processing to generate

more fees and higher revenue.

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

To specifically exempt ad hoc programs from this guidance. An unplanned overdraft coverage is an extension of my bank's customer service and is based on our knowledge of the individual customer. Including ad hoc overdraft coverage in this guidance would damage the relationship between my bank and its customers.

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 another burden for our bank 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. Nine percent of our overdraft privilege customers are in overdraft more than six times per year. Our loan officers already deal one on one with the customer when there appears to be a direct abuse of the overdraft program. Most of these customers already call the loan officer to ask the bank to pay them in overdraft due to whatever problem they are having at the time. We also teach financial literacy programs at the local schools in our communities.

Not to prescribe the order of transaction posting. 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. Our bank has been processing in the following clearing order for approximately ten plus years: § Deposits are posted first § Items with no check number are posted in smallest to largest denominations § Checks are then posted in check number order (smallest number to highest number, we feel customers write in check number order)

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. The cost of opening an account runs between \$150 and \$200. In addition, each account costs typically about \$300 per year just to maintain.

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,

Emily Drozd