

September 27,2010

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:

1st National Bank of Scotia is an independently owned and operated bank that has provided solid financial services since 1923. When a customer comes to 1st National Bank of Scotia they will find bankers who live and work in the community. We encourage the growth and success of our customers, employees, and the communities we serve. Most importantly, we know how important good service is to delivering customer satisfaction.

I strongly oppose the FDIC's proposed guidance (FIL-47-2010) that addresses overdraft coverage programs. Now is not the time to introduce further regulation targeted at overdraft coverage products. Our bank has just implemented new requirements under Regulation DD (Truth in Savings) and Regulation E (Electronic Fund Transfers) at great cost. Having to constantly rework our bank's deposit products to accommodate ever changing regulations does not help our bank serve its customers.

I fear that this proposal will ultimately do a great disservice to our customers, many of whom appreciate the fact that accidental overdraft coverage can prevent the embarrassment of a check or ACH being returned unpaid. If regulatory barriers and requirements become too burdensome, we will be faced with discontinuing these services and returning all check and ACH transactions, exposing our customers to fees far greater than those imposed by our bank.

We do not manipulate transaction processing to generate more fees. When making decisions, we try to do what is in the best interest of our customers. Our bank is accountable to its community and its success is dependent on a mutually beneficially relationship with customers. If we engaged in such manipulative tactics, we COULD NOT do business in the communities we choose to serve.

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

- To specifically exempt informal programs from this guidance. Informal overdraft coverage is an extension of my bank's customer service and is based on our knowledge of the individual customer. Including informal overdraft coverage in this guidance could significantly damage the relationship between my bank and our customers.
- The elimination of the requirement that banks monitor programs for excessive or chronic use and then contact the customer to discuss less costly alternatives. This mandate would be burdensome for our bank and would result in an excessive number of calls. As a result we would have to seriously consider closing the customer's account or discontinuing our overdraft coverage program.

- 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.
- 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.
- To allow banks to charge a fee for returning items paid by check or ACH. The special handling involved in the processing of the returned items should not be provided free of charge.

Consumers must be held accountable in the way in which they handle their financial affairs. By imposing limits on overdraft fees, eliminating fees, and placing more of the burden on financial institutions to monitor accounts we are sending the wrong message to the consumer. There is no incentive for the consumer to be financially responsible when there are no penalties to discourage irresponsible behavior.

I urge the FDIC to carefully consider this measure to ensure that the guidance does not hinder our bank's ability to provide overdraft coverage services to our customers. If we are forced to 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.

Very truly yours,

Kelly A. Gibbons
Vice President
1st National Bank of Scotia