

From: kgrotbo@ssbhl.com [<mailto:kgrotbo@ssbhl.com>] Sent: Monday, September 27, 2010 1:23 PM
To: Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

Kenneth Grotbo
200 Lewis Ave S #101
Watertown, MN 55388-4546

September 27, 2010

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:

I am a Senior Vice President and a member of the Board of Directors from Security State Bank of Howard Lake. The bank's asset size is \$80 million. My bank has two offices, one located in Howard Lake, MN and the other in Watertown, MN. Both Howard Lake and Watertown are located approximately 40 - 50 miles from Minneapolis, MN and could be considered distant suburbs of Minneapolis. We provide deposit services and loans to local small businesses, local government, school districts, and community members.

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.

My bank offers a Ready Reserve Loan product that requires a customer to apply for the product and meet underwriting guidelines. We do not offer automated overdraft coverage products or rely on third party vendors to make our decisions.

My bank does not manipulate transaction processing to generate more fees and higher revenue. My bank is accountable to its community and its success is dependent on a mutually beneficially relationship with customers. If we engaged in "price-gouging" tactics, we COULD NOT do business in our community.

Any additional rules should be the result of an inter-agency effort to

ensure consistency and fairness in its application.

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

To specifically exempt ad hoc programs from this guidance. Ad hoc 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. Our bank is small and we know our customers. When one of our customers is overdrawn, we typically call them and try to work out a solution immediately. We do not rely on a computer program to make these decisions.

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. We process electronic items first and then by check number order. My bank does not look the dollar amount of the items for posting purposes. The way we process these items was a bank management decision.

To allow banks to charge a fee for returning items paid by check or ACH. The Federal Reserve Bank charges my bank for these return items. Processing return items represent expense and employee attention and should not be provided free of charge.

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. My bank already contacts our customers when issues arise and to create regulation that will require us to tract our phone call just creates more work and increases the costs and complexity of a simple phone call.

In recent legislation, congress has made a distinction between small community banks and the big banks. The FDIC is going to need to look at this proposal and make similar distinctions. We know our customers and work with them on an individual basis.

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,
Kenneth Grotbo
952-955-2992