

From: joan@hcb.us [<mailto:joan@hcb.us>]  
Sent: Monday, September 27, 2010 8:23 AM  
To: Comments  
Subject: FDIC Proposed Guidance on Overdraft Coverage

Joan Heffelbower  
150 W Court ST  
Hastings, MI 49058-1823

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:

I begin my letter by stating that Hastings City Bank, several times, chose not to offer the "Overdraft Privilege" program, with an overdraft limit, that has generated so much concern. We felt these programs encouraged overdraft behavior and did not feel that fit our community bank mission. We do, on an ad hoc basis, pay items into overdraft when we feel it is in our customer's best interest. I urge caution in setting rules so broad that they impact banks who DID NOT implement a program with limits that encouraged and increased overdraft activity.

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, **EVEN THOUGH WE DID NOT HAVE AN OVERDRAFT PRIVELEDGE PROGRAM IN PLACE**. Having to rework our bank's deposit products and to accommodate a regulatory moving target does not help my bank serve its customers.

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.

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.

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. And we reverse this fee, when appropriate, following a conversation with our customer.

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. For over two decades, our bank has posted largest items first. This makes the most important payments clear. We are consistent in our practice and provide full disclosure to our customer at account opening.

To allow banks to charge a fee for returning items paid by check or ACH. Several hours per day are spent working on overdrawn accounts. 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,  
Joan Heffelbower  
269-945-2401