From: rhypes@firstcentury.com [mailto:rhypes@firstcentury.com]
Sent: Monday, September 27, 2010 12:18 PM
To: Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

James Hypes
P.O. Box 1559
Bluefield, WV 24701-1559

September 27, 2010

Comments to FDIC

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 writing as the Chief Financial Officer for First Century Bank, NA, a $417 million community bank serving rural communities located in southern West Virginia and southwestern Virginia.

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.

I also 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, I will 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.

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.

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

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 unnecessary for my bank.

We find two types of customers that benefit from our overdraft protection service. One, the infrequent, inadvertent overdraft customer would never exceed the number of occurrences required under the proposal and for which monitoring would be completely unnecessary and burdensome. Second, the frequent over-drafter who benefits from their items being paid and not returned for which merchant fees would far exceed the fees that we charge for this service. We limit our charges on a per day basis as well as by not ordering the payment of items to elevate the number of charges. Many of these users do not want to consider traditional line of credit arrangements due to the negative implications of open ended credit and the difficulty in paying off such arrangements. Others simply could not qualify for such arrangements due to unsatisfactory credit history.

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,
J. Ronald Hypes
304-324-3215