From: David Madrid [mailto:dmadrid@huntingtonstatebank.com]
Sent: Monday, September 27, 2010 3:32 PM
To: Overdraft Comments
Subject: Overdraft Payment Supervisory Guidance, FIL-47-2010, August 11, 2010

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429-9990
OverdraftComments@fdic.gov

Re: Overdraft Payment Supervisory Guidance, FIL-47-2010, August 11, 2010

Dear Sir or Madame:

Huntington State Bank serves the East Texas and Deep East Texas area, as well as Southeast Houston as a local community owned and operated bank. Founded in 1961, our philosophy is to provide outstanding customer service and give back to our surrounding communities. We retain our customers because of the excellent customer service we provide them. If they felt as though we were taking advantage of them, we would certainly no longer be their banker.

I oppose the FDIC's proposed guidance (FIL-47-2010) that addresses overdraft coverage programs. Our 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 us serve our customers. Additional rules to overdraft protection regulation 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 its own guidance outside an interagency effort, I strongly believe 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 should be eliminated. Our bank and banks in general have customers who take advantage of overdraft programs rather than maintaining their account's balance. For these customers, who have repeatedly indicated that they are willing to absorb any overdraft charge caused by their own failure to keep good records, requiring the bank to contact them and offer less costly alternatives would yield no benefit. In fact, the majority of these customers have been counseled on less costly alternatives and have simply refused to participate in them. Furthermore, if a customer repeatedly tells his banker that he is okay with any overdraft expenses incurred, a banker calling that customer every six months to counsel him on credit alternatives could not only be viewed as harassing, it could also be grounds for the customer taking his business to another bank.

I also believe that it is necessary to eliminate the requirement to set daily thresholds on overdraft fees. Overdraft fees are priced to manage the associated risk and as a deterrent to encourage consumers to engage in more financially-responsible practices. Setting a daily limit would only be abused by those customers who abuse the overdraft programs.

Furthermore, I think they FDIC should 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.

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 our 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,
David Madrid
Compliance & Security Officer
Huntington State Bank
Huntington, Texas
Asset Size: $277M