

From: phillipyd@monroebank.com [<mailto:phillipyd@monroebank.com>]
Sent: Monday, September 27, 2010 10:08 AM
To: Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

David Phillipy
210 E. Kirkwood Avenue
Bloomington, IN 47408-3551

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:

Monroe Bank is a \$845 million community bank founded in 1892. We serve southern and central Indiana with corporate headquarters in Bloomington Indiana.

I disagree with some of the provisions of the FDIC's proposed guidance (FIL-47-2010) that addresses overdraft coverage programs. I believe that any additional rules should be the subject of inter-agency action rather than one agency creating guidelines in a vacuum. This does not meet the spirit of cooperation and consistency among the regulators. The agencies should be speaking with one voice on the heels of significant changes to Regulation DD (Truth in Savings) and Regulation E (Electronic Fund Transfers) which only recently have been implemented at great expense to the bank. It is not prudent to mandate additional guidelines immediately after legislative changes that have so dramatically impacted on financial institutions.

The FDIC must keep in mind that many customers actually want discretionary overdraft payment programs to avoid a bill being returned unpaid or a merchant-imposed fee being imposed. While you can argue that this is not the best way to manage finances, it is the method that some choose. If regulatory burden becomes too great, my bank may need to eliminate this service altogether. This will be at a detriment to those who value this service as a way to avoid higher expenses.

One of the most burdensome requirements in the proposal is for banks to 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 costly for my bank. In addition, the State of Indiana has a very stringent Telephone Solicitation Act which largely prohibits phone calls to customers who are on the "Do Not Call" list. Making phone calls to customers as suggested in the proposed guidelines exposes the bank to undue risk possible fines from the State Attorney General's office and significant risk to our reputation. This we cannot afford.

The proposed guidelines seek to impose 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. In addition, we only charge an overdraft fee for ATM everyday debit card transactions if they exceed \$5. We do not assess a fee if paying an overdraft results in an overdrawn account balance of \$5 or less. Our own policy seeks to avoid "punishment" for those customers with inadvertent and modest overdrafts.

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,

David Phillipy
812.331.3454