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September 24, 2010

[REDACTED]
[REDACTED]
Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429-9990
Attention: FIL-47-2010

Re: Proposed Financial Institution Letter on Overdraft Payment Programs and Consumer Protection

Dear [REDACTED]

I strongly oppose the FDIC's proposed FIL-47-2010 that addresses overdraft coverage programs. Now is not the time to introduce further regulation targeted at overdraft coverage products. My bank, Steuben Trust Company (STC), just implemented new overdraft protection requirements under Regulation DD (Truth in Savings) and Regulation E (Electronic Fund Transfers) at great expense and manpower. Having to rework our deposit products and to accommodate a regulatory moving target does not help my bank serve its customers.

Further, 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 they serve. This FDIC-directed recommendation will put STC and all FDIC regulated banks at a financial disadvantage.

As with the Dodd-Frank Wall Street Reform Act and using the same \$10 billion asset size, the FDIC should consider exempting community banks from complying with these recommendations.

I fear that this proposal will ultimately do a great disservice to our customers, many of which appreciate the assurances that accidental overdraft protection offers in preventing a bill from being returned unpaid or a merchant-imposed fee from being levied. If regulatory barriers and requirements become too burdensome, community banks will discontinue these services and return all checks, exposing customers to fees far greater than those imposed by Steuben Trust Company or any bank. The fees imposed by merchants many times far surpass those charged by banks.

I recognize some larger financial institutions may have manipulated overdraft coverage to generate higher fees and revenue -- often at the customer's expense. This is not my bank's

experience. STC is accountable to its community and its success is dependent on a mutually beneficial 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 FIL, I would urge them to 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 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 financial institutions 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 at my bank and would result in an excessive number of calls, causing us to either discontinue the overdraft coverage program and return all checks overdrawing the account or close the customer's account.
- To eliminate the requirement to set daily thresholds on overdraft fees. We price this fee to manage the associated risk and cost of processing and as a deterrent to encourage consumers to engage in more financially-responsible practices.
- Not to prescribe the order of posting. Banks can use a variety of methods (e.g. daily limits, and item dollar thresholds) in addition to posting order to mitigate the impact of fees on consumers.
- To allow banks to charge a fee for returning items paid by check or ACH. Processing return items represent expense and employee attention and should not be offered free of charge.

I urge the FDIC to carefully consider this measure to ensure that the guidance does not impede Steuben Trust Company's and other community 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 habits. Community banks responsibly serve their customers and should not be constrained from doing so.

If you would like to further discuss any of the above comments, I can be reached at 607-324-9670 or theresa.sedlock@steubentrust.com.

Very truly,
STEUBEN TRUST COMPANY

Theresa B. Sedlock
Executive Vice President
Chief Risk Officer

