

From: mtucker@greenfieldcoopbank.com [mailto:mtucker@greenfieldcoopbank.com]
Sent: Monday, September 27, 2010 4:38 PM
To: Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

Michael Tucker
63 Federal Street
Greenfield, MA 01301-2543

September 27, 2010

Comments to FDIC

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:

Background: Greenfield Co-operative Bank (the "Bank") is a small community bank, with \$290 million in assets, 5 locations and 57 employees.

We have been in business since 1905 giving customers here in Western Massachusetts real choices in how they conduct their banking business. Over the past several years, we have offered customers the ability to have Overdraft Privilege, where we would cover small overdrafts (up to \$350 in total). Customers received full disclosure of this program as part of the account opening process (and also before the program was launched in 2006), and since the beginning, customers always had the right to "opt out" of this program. Our Bank expended significant expense in setting up this program (such as extensive training, printing of disclosures, and programming), and by the first class mailing to all of our customers of two separate legal notices of the program and its features when it was first launched. The disclosures were also available on our website for those customers asking about features of our checking account products. We have always also cleared checks and items first in the order received (for electronic items received in real-time via electronic systems) and then from low to high (for items received through Fed clearing). This allows the most items to clear and minimizes any unnecessary overdrafts.

For the past four years, we have maintained and provided current written disclosures in compliance with Federal Reserve Board's Regulation DD and Regulation E. While we did not feature the program in any advertising, we also made sure customers were fully informed of their choices when the account was opened. We limited fees to no more than 4 overdraft items in any cycle, and we did not charge anything above our normal NSF fee of \$24 per item. We mailed notices to customers each time they incurred a cost reminding them of the options available to them. Finally, we mailed an annual notice to customers reminding them of their options for the handling of overdrafts, such as our account to account overdraft sweep or our traditional overdraft lines of credit. In all cases, the customer was provided with choices and the information to make those choices, including the ability to opt-out at any time.

In the four years since this program was launched, we've experienced only two major complaints on the program, and one of those was after we shut

down one customer's access to Overdraft Privilege for what we believed was excessive use. That same customer came into the Bank in person the next day and asked to meet with the President to insist that he, the customer, as an intelligent adult, had the right to choose what he felt was excessive and what was not. He stated that if he continued to repay us for any overdrafts, we should not be denying them access to this service. We reinstated his use based on this discussion and have had no problems or complaints from this customer since.

Last year, when the Federal Reserve Board amended Reg DD and Reg E to require the so-called "opt-in" for overdraft programs by this past summer, our Bank once again incurred additional costs for revising and reprinting disclosures. We mailed 8,435 notices to all checking/NOW customers about the changes this past May and June, and as of July 2010, required customers to opt-in for any Overdraft Privilege program. Since then, the response has been excellent, and to date over 56% customers responding have chosen to opt-in to the program, and only 39% customers have chosen not to opt-in. The remaining 4.6% of the customers did not check any choice on their form, which is necessitating follow up by our bank. Clearly, this program has been well-received and is a fair manner to assist customers as they handle their checking accounts. This is especially true as items tend to clear faster than ever before.

Commentary:

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.

As noted above, 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.

Lastly, I 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.

In closing, 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,
Michael E. Tucker
413-772-0293