

From: bvaughn@bankofdudley.com [<mailto:bvaughn@bankofdudley.com>]
Sent: Monday, September 27, 2010 11:08 AM
To: Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

Beth Vaughn
P.O. Box 4098
Dublin, GA 31040-4098

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 the CEO of the Bank of Dudley, a \$185,000,000 community bank in Laurens County, Georgia. We have branches throughout the county and provide services in the cities of Dublin, Dudley, and East Dublin and the rural areas encompassing them. 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.

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.

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. Bank of Dudley is about to celebrate its 106th anniversary, and our consumer related business continues to grow. There are 10 financial institutions servicing this same area, and poor treatment of our customer would immediately destroy our customer base.

If the FDIC proceeds with adoption of the proposed guidance, please 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 our knowledge of the individual customer. Including ad hoc overdraft coverage in this guidance would damage the relationship between my bank and its customers. This special relationship is the absolute foundation of community banking. This is the difference between us and the larger banks. We cannot compete with their range of services and coverage, but we can provide customers with special assistance that cannot be standardized. This continuing pressure to make community banks operate like large ones is a disservice to us and our customers because it will leave many of them without a bank.

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 unworkable for my bank because of record keeping and monitoring requirements and would cause us to either discontinue our overdraft coverage program, or to close the customer's account and return all payments. Currently, we usually contact customers with continuing overdrafts to offer them alternatives simply as part of our customer service.

To eliminate the requirement to set 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. Because of the flexibility of community banking, our customers are often only charged a fraction of their incurred overdraft charges. Standardizing this limit will ensure that everyone is charged more.

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 provided free of charge.

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,
Beth Vaughn
478-277-1500