From: John L. Whitehead [mailto:johnlouis@sabinebanklegal.com]
Sent: Monday, September 27, 2010 10:50 AM
To: Overdraft Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

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:

Sabine State Bank and Trust Company ("Sabine Bank") is a Louisiana state bank with 46 branches located in Louisiana and East Texas with approximately $670 million in assets. Sabine Bank's customers are primarily consumers and rural businesses in small communities.

Sabine Bank strongly opposes 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. Sabine 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 deposit products and to accommodate a regulatory moving target does not help Sabine 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 we serve.

Lastly, we fear that this proposal will ultimately do a great disservice to our 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, we will be faced with discontinuing these services and returning all check and ACH transactions, exposing our customers to fees far greater than those imposed by Sabine Bank.

Sabine Bank does not manipulate transaction processing to generate more fees and higher revenue. Sabine Bank is accountable to its community and its success is dependent on a mutually beneficially relationship with customers. If Sabine Bank engaged in "price-gouging" tactics, it COULD NOT do business in the several communities it serves. It is the experience of Sabine Bank in the several markets it serves, that free market forces can and will win out and business such as banks and consumers will find market equilibriums that best serve each others' interests.

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 Sabine 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 Sabine Bank and its customers. This is a service that Sabine Bank's customers, both consumers and businesses, expect to be provided and for which they are willing to pay a reasonable fee.

- 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 Sabine Bank and would result in an excessive number of calls, causing us to either discontinue our overdraft coverage program, or to close the customer's account and return all payments. These requirements will increase Sabine Bank's expenses without a corresponding increase in income which will reduce the availability of other, less costly services that could be offered to customers. Like any prudent business, these costs will likely have to be recovered by passing on other, newer fees to consumers and possibly raising prices on existing services.

- 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. The proposed guidance (FIL-47-2010) is devoid of any statistical or empirical data that suggests consumers do not value overdrafts services. Rather, the proposed guidance relies only on anecdotal evidence based on negative consumer experience with a select few financial institutions. It is well known that the current American economic system relies heavily on consumer spending. Approximately 70% of all economic activity is comprised of consumer spending. Limiting daily overdraft activity will substantially impact this activity and restrict participation in consumer activity to only the most liquid consumers or the most credit-worthy consumers.

- 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. Once again, free market forces can and will win out and both business such as banks and consumers will find market equilibriums that best serve each others' interests.

- 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.

We strongly urge the FDIC to carefully consider this measure to ensure that the guidance does not impede Sabine Bank's ability to provide overdraft coverage services to its customers. If Sabine Bank is 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,

John L. Whitehead

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