

July 8, 2013

Mr. Robert E. Feldman, Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Re: Comments on Deposit Advance Product Guidance

Dear Mr. Feldman,

Union Bank & Trust Company appreciates the opportunity to comment on the proposed Guidance on Deposit Advance Products. Our bank will be implementing a Deposit Advance product later this summer. While we offer many overdraft protection options to our customers, we continue to recognize the need for responsible small-dollar, short-term credit products. With the new product, our intention is to offer a credit alternative that is affordable, available in small-dollar increments, has no interest rate, and provides repayment options for customers. This solution will allow our customers to have more control in managing their accounts and peace of mind knowing they have an option available to them in the event of an emergency.

We generally support and appreciate the FDIC's efforts to provide more guidance to financial institutions for management and oversight of deposit advance products. However, if regulatory requirements become too burdensome, we may no longer be able to offer these services to our customers. The demand for these products is not going away. We are confident you would agree consumers would much rather work with a financial institution for their short term credit needs than a payday loan corner store. An unintended consequence for the consumer will be fewer options, higher fees, and a potential decrease in service level.

Our primary concerns with the proposed guidance are related to the following specific actions:

Each deposit advance loan should be repaid in full before the extension of a subsequent deposit advance loan, and banks should not offer more than one loan per monthly statement cycle. A cooling off period of at least one monthly statement cycle after the repayment of a deposit advance loan should be completed before another advance may be extended in order to avoid repeated use of the short-term product.

Regulatory efforts to limit the consumers' use will impose significant costs to financial institutions contrary to customer preferences. While our product will have a "cooling off" period, we are concerned with limiting advances to one per monthly statement cycle. We believe this will cause the consumer to advance their maximum limit rather than only what they truly need for the short term period. This will cost the consumer more and cause the added burden of repaying a larger amount than needed. In addition, customers may turn to other lenders, like payday lenders, during the cooling-off period. Our product is designed to have the control given to the consumer in determining their needs.

In addition, under the proposed guidance to determine the financial capacity of the customer, banks must:

- *Analyze “the customer’s account for recurring deposits and checks/credit/customer withdrawals over at least six consecutive months. In reviewing the customers’ transactions to determine deposit advance eligibility, the bank should consider the customers’ net surplus or deficit at the end of each of the preceding six months, and not rely on a six-month transaction average”*
- *Consider the customer’s ability to repay a loan without needing to borrow repeatedly from any source, including re-borrowing, to meet necessary expenses.*
- *Eligibility criteria must be designed to ensure that the loan can be repaid “while allowing the borrower to continue to meet typical recurring and other necessary expenses such as food, housing, transportation and healthcare as well as other outstanding debt obligations.”*

Banks and other lenders generally do not analyze the checking account activity of borrowers, as the proposed guidance requires. These requirements are unnecessarily burdensome, will put banks at a competitive disadvantage. However, our bank will perform a general account activity review with the intention of determining credit worthiness and ability to repay, but it is primarily based on deposit history and overdraft avoidance, which are characteristics easily identified and reviewed. This methodology would be more in line with other bank’s general practices for establishing eligibility for similar deposit advance products.

In summary, our objective is to provide a range of products to our customers so they have options and can decide which best meets their needs. We are an institution that works closely with our customers and recognize there is a need for this type of product.

Again, we appreciate the opportunity to submit our comments on this proposal. We are hopeful our comments will be reviewed and taken into consideration.

Respectfully,



Becky L. Shupe
Vice President-Deposit Services