

**SHELBY SAVINGS BANK, SSB**  
**P. O. BOX 1806 – 111 SELMA STREET**  
**CENTER, TEXAS 75935**

September 22, 2010

Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, D. C. 20429-9990

Delivered VIA E-Mail:  
[OverdraftComments@fdic.gov](mailto:OverdraftComments@fdic.gov)

Re: Financial Institution Letter 47-2010 – Overdraft Payment Programs and Consumer Protection

Dear Sir or Madam:

I am writing on behalf of Shelby Savings Bank, SSB, a Texas chartered state savings bank. We are approximately \$230,000,000 in assets and operate in three rural east Texas counties. Shelby Savings Bank is regulated by the FDIC and the Texas Department of Savings & Mortgage Lending. We are a true community bank as reflected by our loan and deposit products along with the other services we provide.

The payment of overdrafts has long been a service offered by our bank. We only automated a part of this service to lessen the workload a few years ago. Our customers recognize this program as a service and both utilize it and appreciate it. We feel the proposed Financial Institution Letter is an effort by the FDIC to solve the problem of some banks apparently abusing consumers (by excessive fees and programs designed to maximize fees by rearranging the clearing order) by punishing the entire industry. It would seem much more appropriate to deal with those who have created this issue. Our system is set up where the electronic transactions (ATM, debit, ACH) post as they are received. Checks are posted in check number order. In other words in the same order the customer wrote the checks. Our fees were next to the lowest in our market when we last surveyed the market about twelve months ago. That is fine, we feel we are covering our costs and receiving a reasonable return. We have not increased our fees since that time. All of our customers have their first OD/NSF fee for any twelve month period waived. If a customer has multiple OD/NSF fees due to an error they made and it is not a regular occurrence, all but one of the fees will be refunded. If a customer is dealing with some type hardship and does not regularly overdraft their account, their fees are subject to being waived. All consumer accounts have a limit on the number of fees that can be charged in any one day. We do not charge a daily overdraft account fee or overdraft interest.

Many of the bank's customers utilize this service because of the convenience and security it offers them. While our overdraft fee is \$22.00, many of the merchants charge \$25.00 to \$30.00 for a returned check and then refuse to accept additional checks. Others use it because they consider it less of a hassle than keeping up with their books. For others it is a program that requires them to have some discipline, they can spend the funds, but they must repay them in a timely manner. We have customers who use the program occasionally, but other who use it regularly. It is not unusual for a customer to express their gratitude for us paying their insufficient funds checks.

We have talked to many of these customers about alternative sources of funds. Many of them do not have the funds or do not want to set up a sweep account. We have made loans to others to help them catch up, only to find them over drafting again in a few weeks. Now they have a loan payment in addition to the overdraft fees. Every checking account is assigned to an officer. The overdraft trial balance is reviewed

daily and officers are asked about customers that may be abusing the program or who may be in trouble. The officers follow up with these customers. The board loan committee (consists of all board members) reviews the overdraft trial balance weekly. They also express their concerns in certain situations and request the officers contact their customers.

I have included this information to point out that many of the overdraft programs used by banks are valid customer services that are appreciated by the customers. The proposed FIL effectively eliminates these programs from a practical point of view. We do not feel we can take on risk that is not compensated. Therefore, if the customer does not want or qualify for an alternative program, the checks will have to be returned. That will not be good for the customer or Shelby Savings Bank.

Over the years banks have had to seek new or additional sources of revenue. As mortgage brokers and mortgage bankers picked up larger shares of the residential mortgage market, market share dropped. As more and more types of loans were securitized and turned into commodities spreads were squeezed. Smaller and smaller businesses turned to other sources of funding as securities markets expanded. There are more non-bank competitors today than ever. Because of this, banks have been forced to look to service fees and other types of fee income. For a bank to be profitable, stable, and well capitalized, it must have a variety of sources of income. Overdraft fee income has been one area that has helped in this transition. If we are to remain profitable and well capitalized, where we are not a risk to the insurance fund, we must have sources of income. If by this proposed FIL, we lose much of our OD fee income, we will have no alternative, but to raise other fees for our services or attempt to lower deposits rates and raise loan rates. Customers may not be willing to accept some of the alternatives we will have to consider. They also probably will not feel the alternatives are as beneficial to them as the OD services.

Thank you for the opportunity to express our thoughts and concerns about the proposed FIL 47-2010. We urge you to reconsider issuing this letter in its present form. Please consider that this is a service consumers want and are willing to pay for. Also, please consider the needs of your insured institutions.

Sincerely,

A handwritten signature in cursive script that reads "John L. Snider".

John L. Snider  
President