From: jcrawford@woodhuston.com [mailto:jcrawford@woodhuston.com]
Sent: Monday, September 27, 2010 3:38 PM
To: Comments
Subject: FDIC Proposed Guidance on Overdraft Coverage

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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:

I am the compliance officer for a $500 million bank located in various locations in Missouri and would like to comment on the proposed supervisory expectations published in FIL-47-2010.

I am strongly opposed to the FDIC's proposed guidance.

Our bank, as well as the vast majority of other FDIC regulated institutions I'm sure; operates and succeeds by having mutually beneficial relationships with our customers. It would be self-defeating to have policies and practices that do irreparable harm to our customers or that appear costly or unfair to them. We are not a public utility company with a monopoly in our locations that the customer must do business with or not have heat in the winter. We operate in a free market with competition and if we do not provide products to our customers that they deem beneficial we will not succeed.

It seems the payment of overdrafts has somehow become an unjust practice. What appears to be lost is the fact that for an overdraft to occur a customer must take some action that results in more funds coming out of an account than is available. Whether the bank pays the overdraft is irrelevant; the transaction that caused the overdraft happens outside of the bank's control. Paying the overdraft is simply the most beneficial of two options the bank has; paying it or returning the item.

It is apparent it is not the paying of an overdraft that is a problem but charging a fee for paying it. Paying overdrafts, just like every other transaction a bank processes costs money. It costs money in terms of salaries, overhead, and computer systems to accurately process the transactions. The charge also covers risk as there is a sizeable percentage of paid overdrafts that are never paid back by the customer. It is impossible to determine how much each payment of overdrafts costs a bank as there are too many variables. However, this is where the free market and competition once again come into play. If one bank charges $50 and another charges $25 the customer is free to bank with the institution with a $25 overdraft fee.

Some of the proposed requirements would do nothing to curb overdrafts and only serve to make the processing of them more costly for banks.

The requirement to monitor accounts will not curb the amount of non-sufficient items being created by customers. Contacting the customer and providing them guidance will not stop the items from happening. All it does is create burden on the bank and the chance for technical exceptions to the expectations of the FDIC. The proposal recommends providing a linked savings account to transfer funds. What if the customer has no funds to put into a savings account? Many times that is why the overdraft occurred, because they do not have any other funds. The proposal also recommends lines of credit or small dollar loans. This is also another recommendation that serves mainly to increase costs to the bank. It is very expensive in both time and money for a bank to make loans. In order to have these small dollar loans the rates and fees for them would have to be high enough to offset any potential benefit for the customer.

The requirement to institute appropriate daily limits is not feasible. Who would determine what is appropriate? The FDIC? I am adamantly opposed to government agencies fixing prices on private businesses. Daily limits take away one aspect of the paid overdraft fee and that is it is a deterrent. What deterrent is there if a customer knows they have multiple overdrafts in one day and they have already exceeded the daily fee? What stops the customer from creating more insufficient items? The only recourse the bank has in that case would be to return the items. Again, how is that beneficial to the customer?

The proposed requirements overall appear to have good intentions but lack the ability to achieve their goals. Customers create non-sufficient items for a variety of reasons. Some just don't have the necessary funds. Some have the funds but use the overdraft as a tool. Some just made a mistake. Regardless of the reasons; banks need to be able to determine how best to handle its customers. If a customer made a big mistake that would set them back financially because of numerous overdraft fees there is a chance the bank would waive some fees. We would do that because it is beneficial to the customer and therefore beneficial to the bank. We would do it because if we didn't a competitor would and we would lose business to that competitor. Finally we would do it because our employees have compassion and common sense. We need to be able to use that discretion to best serve our customers. Not take on additional costs to satisfy the technical requirements of regulatory burden.

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,
Jeff Crawford
6608866825