



**FIRST NATIONAL BANK**  
**OF HUTCHINSON**  
*Established 1876*

July 18, 2008

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW.  
Washington, DC 20551

Dear Federal Reserve Board of Governors:

Comment Letter on Proposed Regulations To Overdraft Protection Programs-Docket No. R-1314.

Thank you for this opportunity for First National Bank of Hutchinson to express our opinion on the proposed new regulations covering overdraft protection programs.

The first point we would like to make is that all consumers are responsible for insuring that they have enough funds in their accounts to pay for any transactions generated using the following methods: checks, debit cards, ATM cards, telephone transfers, on line transfers and online bill payments.

When the consumer uses any of these methods above to access their funds and they do not have funds available to cover their transactions then the financial institution should absolutely retain the right to pay or return or decline these transactions. In providing the necessary manpower, technical equipment and expertise to deal with these overdrawn balances, the financial institutions must be able to charge a reasonable service fee for this service.

Lets take a look at what happens with processing checks and debit card transactions:

1. Checks - A consumer that writes a check has to wait for the banking system to clear this check either through image, ACH or a substitute document. This check if cleared by image or substitute documents acts to the systems just as the original check. It reaches the paying bank and posts against the customer's accounts. As part of the transactions for that night against the account, it either is a part of the transactions causing the account to go overdrawn or it clears through with no issue. If the regulations require us to have a customer opt out of the overdraft privilege service then you can be sure that our bank will absolutely return this item to the payee it was written to on all customers who opt out of the coverage. We will charge the same fee as paying the check. Now the payee will have to try and collect this check and will, in a merchants' case, assess their own fee. The consumers across the country will pay much more for this overdraft than they would have otherwise.

2. Debit cards - Debit card transactions are very different from checks from a processing standpoint but ultimately they accomplish the same thing for the customer. What is different is the online verification that takes place with a debit card transaction vs a check. When a consumer goes to a merchant to make a payment with a debit card, he simply wants the

transaction to go through. It makes no sense at all to distinguish between a consumer making a payment with a check vs a debit card. The real question is “would that customer want to make that purchase if he knew it would overdraw his account that night and he would be assessed an overdraft charge”. We do not see any distinction between a customer writing a check or using his debit card as to whether or not this overdraws their account. The financial institutions have the processing ability to have real time “available” balances for the customers at any time. The question becomes what is available balance. Available balance can include the discretionary amount the financial institution is willing to risk by customer in granting to them a dollar amount they are willing to let their customers overdraw their accounts. Keep in mind that if a financial institution does this that they are putting at risk the amount of the discretionary overdraft amount. The financial institution should have the right to be adequately compensated for this risk if the consumer overdraws their account. It would not be technically feasible to sort out checks and ACH from POS and ATM transactions as to posting or decline. As a matter of practice just not allowing the discretionary amount to be in the available balance would accomplish the same thing, although customers would be adversely impacted at the point of trying to get authorizations for purchases.

The debit holds issue is a trickier issue. To say that on all holds we can not assess a fee for overdrafts is not right in all hold instances. As an example, assume a consumer has \$100.00 of current and available funds in his account. He comes into the financial institution and presents a check payable to himself for \$4,000.00 and is drawn on a non local institution. The teller places a case by case hold on the check using proper current regulations. If the consumer subsequently writes a number of checks less than \$4,000.00 and they clear the next day then the financial institution should have the right to charge normal return check fee charges.

Our bank does not believe the order of processing of items can be changed feasibly customer by customer. An institution should be held accountable for consistency in their approach to processing transactions. Our bank processes checks in the order they were written.

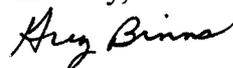
Regulation DD disclosures of right to opt out could be placed as a message once per year on all statements. This opt out should be for any and all items posted against a customer’s account. As stated above we do not feel that this is in the best interest of the consumer.

Disclosures of aggregate overdraft fees on statements is fine.

The balance inquiry provisions we think are fair.

In summary: Our customer base through the years have appreciated our occasional overdraft coverage program. Many consumers face economic challenges from time to time and having the reassurance of our overdraft privilege service helps them at various times of the year.

Sincerely,



Greg Binns  
Executive V.P. and C.F.O.