ARVEST®
BANK

August 4, 2008

Ms. Jennifer J. Johnson
Secretary
Board of Governor of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

RE: Docket Number R-1315- Proposed changes to Reg. DD
AND
Docket Number R-1314 – Proposed Changes to Regulation AA

Dear Ms. Johnson:

Please accept this letter as our comments on both the proposed changes to Regulations AA and DD.

Arvest Bank is a $10 billion asset depository institution operating more than 220 branches within Arkansas, Kansas, Missouri and Oklahoma. We offer an array of financial products and services to our customers, including overdraft protection. Our customers have widely accepted this product as part of their checking services come to expect this service as part of their checking services that provides peace of mind by preventing the embarrassment and cost of retrieving a check from the merchant. Our fee for this service is among the lowest in our region and the nation. We also issue and service credit cards, primarily to our existing banking customers who qualify.
We have read the letter submitted by the Amercian Bankers Association with respect to Regulation DD and the applicable parts of the proposal for Regulation AA and support those comments.

REGULATION AA:

Comment 1: Time to Make Payments (.22). Provision should be allowed for the issuer to establish different time periods for mailed statements as compared to electronically delivered statements. The 21-day period is more than adequate. This would allow three days in the US Mail coming and going and still provide 15 days to review statements. While consumers do not control the mails, they certainly control their own travel and can make arrangements to obtain mail. Grace periods beyond the 21-day period should not be required due to the length of the review period. Banks may wish to esbablish grace periods beyond the 21 days for competitive reasons and shoud be allowed to do so.

Evidence of mailing should be a printed receipt issued by the US Postal Service or other package delivery service. A period of five (5) days before and two (2) days after should be more than adequate.

Comment 2: Allocation of Payments (.23). The method of allocation of payments among different tiers of card balances is a competitive factor which should not be mandated or prohibited by regulation. Clear disclosure of the allocation method is the better approach and allow the consumer to decide which card provider they prefer to give their business. The rule should not prohibit an application of excess payment over the minimum payment amount to any portion of the balance subject to rate that is fixed as to rate by contract or rule except possibly for balances that may have a fixed repayment schedule. The rule should not allow consumers the right to designate the allocation of payments although card issuers should not be prohibited from allowing that to occur.

Comment 3: Applying Rate Increases to Existing Balances (.24). This practice should be allowed with disclosure and advance notice of the change unless the account contract fixes the rate for a specific term for some portion of the balance. Credit cards are generally open revolving credit subject to a very modest minimum payment. In affect, credit cards are adjustable rate loans that should be allowed to adjust in accordance with the terms of the cardholder account agreement. Just as consumers can payoff a card balance entirely without penalty, the issuer undertakes interest rate and funding risk to finance the cardholder balances and should be allowed to recover the higher costs of doing so. Penalty rates for delinquency status or defined typs of credit quality declines should be allowed as long as they are clearly disclosed. Again, mandates of the nature proposed lessens competition.

Comment 4: Fees Related to Credit Holds (.25). Credit holds are a key part of the credit card payment system that allows merchants who do not know exact amount of charges that customers will incur to accept a card and have some reasonable expectation of being paid. Consumers have direct knowledge of giving the card or card information to the merchant and has an opportunity at the point of sale to inquire as to the amount of hold the merchant will place. Therefore, the consumer can opt to pay by other means or give their business to another merchant. As far as the card issuer knows, the consumer has reasonable expectations of using the amount of credit that the hold is for and, in fact, to operate safely must assume the consumer expects to use those funds requiring systems in place to monitor the susbsequent transactions in relation to the pending credit. The consumer controls the subsequent use of their card and can determine the amount of the hold and can take that into account in order to avoid an over limit charge. Like any mandate that lessens revenues, rates and other fees will rise to a degree and credit will be restricted as some consumers may not qualify at a higher rate.

Comment 5: Overdraft Services (.32). Refer to comments related to Regulation DD and the last comment for Regulation AA.

Comment 6: Debit Card Holds (.32b). Refer to Comment 4 above for related comments. The complexity that would result from this and other Regulation DD proposals will likely lead to considerable confusion among consumers and create even more complex data systems to try to track the various exception conditions.

Comment 7: General. The inclusion of these types of provisions under Regulation AA virtually assures banks and other issuers will be the subject of civil litigation, especially involving alleged violations of various state laws. There is a disturbing tone in the proposed rule that is very judgmental. The identification of these practices as "unfair" and/or "deceptive" is entirely subjective. This in itself may be the basis of litigation that cites the rule as evidence of past "unfair" or "deceptive" practices. There is nothing in the rule that would prohibit such claims.

While we, as a bank and card issuer, may not prefer any of the particular practices addressed, we believe the American consumer is quite capable of analyzing credit and checking offers and deciding to pick and choose providers based on that assessment. Consumers do that every day in choosing one provider over another. When government prohibits business practices, competition is lessened as ways to differentiate in the market are removed. Prohibition of practices should be reserved for the most insidious and onerous of practices well founded by analysis. The proposals use of the FTC's three-factor analysis is relevant but extremely subjective. We favor clear disclosures of the terms of banking services and let the consumer decide whether or not to give their business to a bank. The fact that some consumers may find it time consuming to perform the analysis does not seem persuasive that these type prohibitions are needed. Those consumers present the market with a niche who demands "simplified products" that some competitors will set out to address. We believe it is better public policy to help consumers become better informed through clear disclosures than to prohibit practices lessens competition from which consumers benefit.

REGULATION DD:

Comment 1: Opt-Out Disclosure Requirements for Overdraft Services (230.10). The proposal requires a financial institution to provide consumers with a notice and an opportunity to *"opt-out"* of the payment of overdrafts, before fees or charges may be imposed on consumer accounts. The notice must contain specific information describing financial institutions overdraft product and clearly indicating what items will be paid including any dollar limits. The customer's must also be given the right to partially opt-out for certain items resulting from checks, ATM or POS transactions.

Financial institutions are required to provide clear disclosures at account opening describing all fees and services associated with the checking account product. Our customers currently receive the required disclosure at account opening, including

information regarding our overdraft program and all fess associated with the service and what type of items will be paid. Our customers clearly understand this is a service provided by the bank and is not a requirement to obtain an account with us. Our customer at any time can elect to not receive this service and many have done so. In addition to the account opening disclosures, our customers also receive insufficient funds notice outlining the item(s) being paid or returned at the time of occurrence and included monthly on our customer's statement is a summary of their overdraft history for the month and year to date. If the Board requires the *"opt-out"* notice, we believe it should be provided at account opening. Any subsequent notices should be eliminated or incorporated within the customer's statements with the month and year to date overdraft history. A bank can refer a customer to a telephone number or website for further information where they would have the ability to *"opt-out"*. Any additional separate notices will add to overall confusion or likely be disregarded altogether.

By requiring financial institutions to provide this notice as described in B-10 of the proposal will create additional misunderstanding and confusion from the customers regarding returned and paid NSF fees. Most banks charge the same fee if the item is returned or paid. Customer's will very likely believe by *"opting-out"* they will not be assessed any fee. It is important for customers to clearly understand the consequences of *"opting-out"* and by doing so they ***will almost certainly*** incur higher fees from the bank and payee (e.g., retail store). . If it is the board's intention to provide a clear disclosure educating the consumers, we believe the model language should describe the fact the customer will incur additional fees.

The Regulation AA proposal includes an option for customers to have a partial *"opt-out"* allowing them the right to select to have overdraft service on ATM and debit card purchases. The customers will also be confused when the banks are obligated to pay a item into overdraft status for example an authorized POS transfer. By *"opting-out"* it will not eliminate the banks obligation with Visa to pay an authorized item regardless of the account balance and may result in an overdraft fee for the customer. Regulation AA is also proposing to eliminate banks from placing a hold on funds as a result of an authorized POS transaction. We believe this will further confuse the customer as to their real account balance as they believe the money is already spent. The customer may be mislead in believing they had more money and may result in higher NSF transactions at a later date. The notice should also include language clearly explaining all the types of debit card transactions such as auto-bill pay attached to the debit card.

In regards to the proposed recommend statement included within the model language of B-10 for a financial institution to indicate that they also offer less costly overdraft payment services that you may qualify for, including a line of credit. We strongly suggest the language indicate, *"We offer other overdraft payment services that you may qualify for, including a line of credit that **may be** less costly. "* For consumers that have random mishaps through out the year a line of credit imposing processing fees, annual fess, transfer fees and daily interest accrual may in fact be more costly to consumers.

Comment 2: Disclosure of Fees and Period Statements (230.11). We support the board's recommendation to require all institutions to disclose a consumer's monthly and yearly history of overdraft and returned check fees. We believe most financial institutions practices of offering overdraft protection will come under the definition of marketing as described in the May 2004 changes to the regulation.

Comment 3: Disclosure of Account Balances (230.11c). We support the board's recommendation to allow the an institution the option to either not include a consumer's available overdraft limit within their account balances accessed by ATM, Internet or telephone request or provide additional disclosure stating that fact that overdraft limits are included in the balance.

Sincerely,

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