By ELECTRONIC DELIVERY

July 25, 2008
Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20 and C Streets NW
Washington D.C. 20051

RE: Docket Number R-1314
Proposed Rules to Overdraft Practices

Thank you for this opportunity to comment on the above referenced proposal for changes to Overdraft Practices.

We have complied with the 2005 Interagency Guidance on Overdraft Programs and are dismayed to now read the referenced proposal and see the best practices outlined in the Guidance referred to as unfair and deceptive. We strongly object to the implication the existing best practices are either unfair or deceptive.

Our customers receive accurate and adequate disclosures explaining how the overdraft program works and the costs associated with any overdrafts. We also communicate with our customers to explain alternative means of managing overdrafts, such as linking to another account or line of credit. Of course, the customer currently has the option of opting out of the overdraft program.

It has been our experience that customers who use the overdraft program recognize the value associated with the program and express appreciation that the program is available. These customers understand, and accept, the costs associated with an overdraft. These customers also are well aware of the costs associated with NSF checks being returned to the merchant – including the real possibility of being subjected to civil/criminal prosecution for violating hot check laws. In reality, there are some customers who demonstrate an inability to manage a checking account - with or without overdraft protection. In such instances, additional regulatory requirements in the guise of consumer protection will not benefit the consumer or the banking industry.

The proposed rules include a “partial opt-out” requirement for point of sale and ATM transactions. Our data processing system does not presently support the proposed rule. Imposing this requirement will result in costly technology upgrades as well as add complexity for the consumers’ understanding of overdraft programs. Imposing such a rule will have the effect of generating additional paper item overdrafts for customers who are intent on abusing overdraft programs and result in removing “overdraft embarrassment protection” for consumers who infrequently overdraw their account.

The proposed rules regarding order of transaction clearing and the specific proposals for debit holds are alarming. There are valid business justifications for selection of the order of clearing items presented through payment channels. There are different risks associated with the respective payment channels and selection of the clearing order should remain at the discretion of the customer's bank. In the final analysis, a customer has to accept responsibility for balancing their account and not relying upon check float to avoid overdrafts. It is not realistic to expect banks to offer customers "multiple choice" clearing alternatives.

The issue of debit holds is a complex and complicated process. Granted, a customer may be confused concerning how a debit hold can result in an overdraft situation. However, the bank should not be placed in the position of accepting the risk for the debit hold amount without having the opportunity to manage and price this risk.

Thank you for this opportunity to comment on this important issue.

Sincerely,

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