Docket No. R-1314 (Regulation AA)
Meeting at the Federal Reserve Board on July 24, 2008

Members of the staff of the Board's Division of Consumer and Community Affairs and Legal Division discussed the Board's proposed rules regarding overdraft services under the Federal Trade Commission Act (Regulation AA) with representatives from IBC Bank, Laredo, Texas.

Attending the meeting on behalf of IBC Bank were Dennis Nixon, Dalia Martinez, and Kevin Mullins, as well as IBC's attorney, Karen Neeley, of Cox Smith.

Bank representatives made the following points regarding the Board's proposal:

- Consumers generally choose overdraft protection as part of a bundled product offering and are satisfied with current programs. The proposed rules are overly restrictive and would prevent banks from offering consumers a range of options for deposit accounts.

- When overdrafts are not paid, consumers pay non-sufficient funds fees to the bank in an amount equal to the overdraft fee that otherwise would be charged. In addition, consumers may suffer other adverse consequences, including merchant bounced check fees and negative credit reporting. Texas usury law requires the same fee whether an item is paid or rejected; further, tiered fees and daily fees are not permitted (pursuant to a Texas Supreme Court case). In addition, there are few alternatives for Texas consumers as few institutions offer overdraft lines of credit due to a previously long-standing cap on interest.

- While they support full opt-outs for all consumers, partial opt-outs are not possible under current systems and will increase the chance for consumer confusion.

- The proposed debit hold rule is not technologically feasible using current systems and moreover would not permit institutions to adequately protect themselves from risk due to current network rules which guarantee merchants funds at settlement if the bank has given preauthorization of that amount.