



BOARD OF GOVERNORS
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March 11, 2010

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

Dear Ms. Johnson:

I am writing to comment on the proposed clarifications to Overdraft Protection Rules under Regulation E.

Novation Credit Union, in Oakdale, MN serves over 11,000 members – primarily 3M employees and their family members – and has \$85 million in assets.

Our Credit Union has never had an overdraft protection program. We authorize ATM and debit transactions based on the true balance in the cardholder's account. We even "hold" the authorized funds until the actual transactions post. Even then, there are times when the balance information cannot be obtained, so the transaction may be approved based on conservative "stand-in" limits. There are also times when the merchant sends through an authorization for a lesser amount than the actual transaction amount. This is common for "pay at the pump" purchases. Under card industry rules, we are obligated to pay these once they are approved. We cannot return or dispute them even if they draw the account negative. There would be no benefit for the cardholder to opt-in to paying a fee because we have no alternative but to pay the item.

We believe consumers should be responsible for knowing the amount of funds they have available and not making purchases that will take their account negative. They are the only ones in the position to know what checks they have written that may not have yet cleared; and what charges they may have authorized to be taken from their accounts electronically.

If there is no penalty for taking the account negative, we will have no choice but to suspend the ATM and debit card services and possibly close these accounts. Most often these account holders will be consumers who need credit union services the most. We do not believe this proposed section of the regulation will be a benefit to consumers.

Therefore, we ask that you please consider allowing an exception to the fee prohibition under Sec. 205.17 (b) (5) which would permit an institution to assess overdraft fees if the consumer has not opted in. Thank you for your careful consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Sharon Hansen".

Sharon Hansen, CFO

Cc: Narayana Kocherlakota, President
Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
Minneapolis, MN 55401

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