



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

Dear Ms. Johnson,

Please accept the following as comment on the proposed clarifications to Overdraft Protection Rules under Regulation E.

1<sup>st</sup> Financial Federal Credit Union, with over \$211 million in assets, was founded in 1968, and serves over 30,000 members in the St. Louis Missouri metropolitan area, under a community charter. As a financial cooperative, responsible for managing credit union resources on behalf of our 30,000 members, we have concerns about the Overdraft Protection Rules, requiring member “opt-ins” for one time ATM and debit transactions.

1<sup>st</sup> Financial does not offer an overdraft protection program for our ATM and debit card transactions. Transactions are authorized for our members only if there are sufficient funds in our members’ account. Due to the fact that signature based transactions do not post instantaneously to a member’s account, there are occasions when previously authorized transactions are paid by the credit union (as required by Visa regulations) and result in a member’s account being drawn negative. This could be due to prior authorizations, or checks that clear a member’s account.

Furthermore, we disagree with the board statement that “financial institutions are in a better position to mitigate the information gap than consumers, such as through improvements to payment processing systems.” We believe that the consumer is in the best position, and in fact the only party that has a complete accounting of outstanding debits on their account. While the credit union may have knowledge of authorizations from a debit card, we have no knowledge of any checks that our members have written, but have not yet cleared their account.

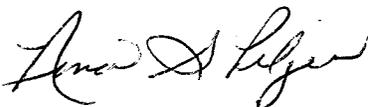
As to the ability for credit unions to improve their payment processing systems, we can certainly do so, but our question is, at what cost to our members. After substantial research on our part, we determined that approximately 10% of our members account for debit transactions that cause their accounts to become negative. We feel that it is unjust for 90% of our members to have to absorb tens of thousands of dollars in programming updates for the few members who do not adequately monitor their accounts and maintain an accurate and up to date check register.

We also have significant concerns over the potential for future losses to our credit union if there is no accountability on the part of our members to maintain adequate account records. As members realize that they can routinely draw their account negative with no consequences what so ever, members will start abusing this service. And again, the majority of our membership will have to absorb the losses caused by the few.

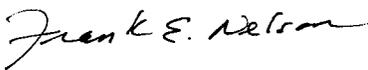
While we could mitigate the risks involved with increased potential losses due to negative accounts by imposing fees on debit cards and free checking accounts, we do not believe that this is fair to the majority of our members. Our only alternative would be to close the accounts of the offenders. By doing so, these members, many in underserved areas, or of very limited means, will lose the ability to have a checking account or debit card. And these same members will fall victim to predatory lenders, or check cashing institutions. Because these members will be forced to handle their transactions primarily in cash or with money orders, they will have a limited ability to develop sound savings habits. In the end, the members who routinely draw their accounts negative, as well as innocent members who maintain responsibility for managing their finances will all suffer from increased costs and lesser services.

Therefore, we ask that you please consider allowing an exception to the fee prohibition under Sec. 205.17 (B) (5) by allowing financial institutions that authorize debit transactions on the actual account balance to charge an overdraft fee even if the consumer has not opted in.

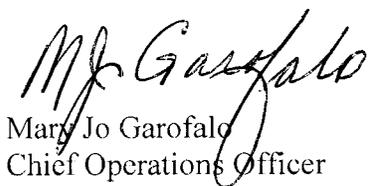
Sincerely,



Nina G. Pilger  
CEO



Frank E. Nelson  
President



Mary Jo Garofalo  
Chief Operations Officer