

By electronic delivery

August 4, 2008

Jennifer J. Johnson
Secretary
Board of Governors of the Federal
Reserve System
20th St. and Constitution Avenue, N.W.
Washington, DC 20551
Regs.comments@federalreserve.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
ATTN: OTS-2008-0004

Senator John Thune
United States Senate SR-493
Washington, DC 20510
John.thune@thune.senate.gov

Representative Stephanie Herseth Sandlin
331 Cannon House Office Building
Washington, DC 20515
Stephanie.herseth@mail.house.gov

Senator Tim Johnson
136 Hart Office Building
Washington, DC 20510
tim@johnson.senate.gov

Re: Proposed Rule on Unfair and Deceptive Acts or Practices

Ladies and Gentlemen:

Home Federal Bank is taking this opportunity to express its views and oppose the agency proposed rule on overdraft fees.

In understanding the context of our comments, you need to know that Home Federal Bank is a \$1 billion thrift institution, with 33 branch offices, located in the upper Midwest. Our bank is a community-oriented organization that has operated for almost 80 years in a conservative manner with safe and sound business policies and practices. We offer the traditional banking services allowed by law and regulation and our vision is to "seek every opportunity to solve our customer's needs by identifying and presenting the right products and services". In doing this, we treat our customers and each other, with respect, honesty, integrity and fairness.

As a community bank, it has always been our intent to provide our customers with products and services that meet their needs and provide identified value. With that philosophy, we can tell you our Bank does provide services that include payment of overdrafts on a case by case basis. However, we do not take on this risk without appropriate controls along with customer education and full disclosure. As a community bank we feel it is important for our customers to understand how their accounts work through understanding the risk associated with exceeding their deposit account balance and to understand the value-added services available. With that being said, we offer the following comments:

Full Disclosure - The Bank and customers know that by good account management, overdraft situations are avoidable and many customers demonstrate this behavior month after month. Home Federal provides education concerning financial responsibility as well as making full disclosure of non-sufficient funds and overdraft fees as required by the Truth in Savings and Funds Availability Regulations. In addition, Deposit Account Agreements address the consumer's responsibility in regards to overdrafts which allow the customers to be aware of the consequences of their conduct.

Value-Added Services - On occasion situations arise when customers either through error or over-extension may exceed the balance of funds available in their account. As a result, Home Federal has developed and offers several solutions to assist our customers and add value as a banking institution. To help the customer maintain financial responsibility we offer solutions to monitor balances 24 X 7 through ATM's, on-line banking, telephone banking and our branch network. We also have standard banking products to assist customers in overdraft situations such as an overdraft protection line of credit or the ability for automatic transfer from another deposit account or loan. In addition to accommodate the need to pay overdrafts above and beyond these services, Home Federal Bank has developed a safe and sound program that accommodates overdrafts on a case by case basis.

Our accommodation program is successful because the benefits outweigh the disadvantages. As a result of our relationship banking, customers rely on us to recognize that they may inadvertently make a mistake and that they can be trusted to make it right. They recognize there is a price to pay for this accommodation because the Bank is making a risk based decision and has no formal contract. Consumers understand that an item returned for insufficient funds could result in legal action and could have significantly higher fees from the merchant receiving the dishonored item. This includes payments made by debit card which are commonly used by our customers for recurring charges such as utility payments.

In closing, Home Federal Bank strongly opposes the regulation as proposed. We believe providing overdraft accommodation is not an injury but a benefit and any associated fees are reasonably avoidable by customers exercising normal care. Our customers see real value when we stand behind our payment decisions, and they understand that the fee associated with that decision is a source of compensation to the Bank for that accommodation. We have provided our customers with the tools to manage their accounts and they have the responsibility to track their transactions. Bank overdraft accommodation is a convenience that customers who use it value and one that they can avoid if they choose by exercising common care as the vast majority of customers do every day.

Home Federal Bank believes that the practices we follow in the area of overdraft accommodation do not constitute an 'Unfair or Deceptive Act or Practice' and do not initiate the standards that should be applied for determining when banking behavior is unfair under the Federal Trade Commission Act. We ask that you strongly consider withdrawing this proposal.

We appreciate the opportunity to provide our comments on this significant proposal and thank you for your consideration. If you have any questions, please do not hesitate to contact me at (605) 333-7556.

Sincerely,

Home Federal Bank