

August 6, 2004

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, N.W.  
Washington, D.C. 20552  
[No. 2004-30]

Re: Interagency Guidance on Overdraft Protection Programs  
69 FR 31858 (June 7, 2004)

Dear Sir or Madam:

Principal Bank welcomes the opportunity to comment on the proposed interagency guidance on overdraft protection programs. We have reviewed the proposed guidance and believe it contains many valid recommendations for improving the communications related to these programs.

We believe the following sections of the proposal warrant additional consideration, and our comments follow below.

***Safety and Soundness Issues/Account Repayment*** - We believe the recommendation to charge off overdraft balances after 30 days will cause unnecessary losses to the bank that may have been covered by the customer if given more time. The processing time involved in charging off an overdraft, and then entering the recovery when the overdraft is resolved, adds unnecessary expense for the bank. This practice is also detrimental to the customer if the chargeoff is then reported to a consumer credit agency. We feel that the 30 day chargeoff proposal is too strict.

***Safety and Soundness Issues/Loss Recognition and Reporting of Income*** – We believe the proposal to report the amount of overdraft protection available as an unused commitment on the TFR will be extremely onerous. Overdrafts for customers without the protection program would need to first be backed out of any total overdraft calculation. Then the remaining overdraft at quarter-end would need to be backed out of a summation of all customers' limits. Since different customers could have different limits, this calculation could be extremely time-consuming. Additionally, reporting these limits as "commitments" seems misleading and unnecessary for the following reasons:

- So long as the bank retains complete discretion with respect to paying overdrafts, there is no true commitment by the bank.
- The actual limit amount could fluctuate given the customer's account history.

- Most customers manage their accounts to avoid overdrafts and related fees at all costs, and even if they are aware of the program, they may not ever intend to use the protection.

***Best Practices for Marketing and Communication/Discretionary Nature*** – We believe that the proposal to describe the circumstances in which the institution would refuse to pay an overdraft or suspend the program compromises the bank’s ability to exercise discretion. We believe that a disclosure simply stating whether the overdraft protection program is discretionary or not would be adequate disclosure to the customer.

***Best Practices for Marketing and Communication/Check Clearing Policies*** – As there is no perfect answer to the question of which order to pay checks, and there are risks involved in any check clearing method, we do not believe the institution should be required to disclose their method to the customer. In addition to the complexities possibly being confusing to customers, we also believe that the customer may assume that the disclosure of the method creates a contractual obligation by the bank to follow the method at all times.

***Best Practices for Program Features and Operations/Alert for Non-Check Transactions*** – We recognize that the guidance includes the words “where feasible” in the proposal to provide a customer alert if a non-check transaction will trigger the overdraft protection, and that it provides an alternative disclosure proposal if this alert is not possible. We believe that an upfront alert could be nearly impossible, especially in the case of POS transactions, and that ATM receipts showing a negative balance would adequately provide notice to the customer.

Overall the guidance is helpful in clarifying expectations and creating programs valued by customers. We would encourage adequate time be provided to implement any requirements, as programming, training, and communication may be extensive. Thank you again for providing the opportunity for comment.

Please forward any questions to the undersigned at 515-883-9190, or to Bill Hayen, Chief Compliance Officer, at 515-883-9188.

Sincerely,

Jill Lorenz  
Manager of Internal Controls  
Principal Bank Compliance Department