

From: First State Bank & Trust, Jilinda White
Subject: Electronic Fund Transfers

Comments:

Dear Sir or Madam;

I would like to comment regarding the proposed amendments to Regulation E.

I represent First State Bank & Trust, a locally-owned, independent community bank located in Kansas. We have nine locations supporting an asset base of about \$325,000,000.

Two years ago, we engaged Strunk and Associates to assist in launching an invigorated overdraft program at our bank. We had been running an in-house program on our core processor, but wanted a more encompassing and structured program. We chose Strunk because of their solid reputation and strong compliance program. We have adhered closely to the Strunk & Associates' "Best Practices" and have received zero customer complaints regarding our overdraft service since implementation during September 2007.

We find that our customers appreciate knowing that an occasional insufficient item will be paid, instead of returned. The Strunk program has allowed us to provide the service on a wide, consistent and encompassing basis to 77% of eligible checking accounts. In addition, following their "Best Practices" has allowed us to improve our processes, increase customer communication and provide an opt-out option to anyone who is not interested in having insufficient items paid on their account.

Opt-Out vs. Opt-In: We support, in principle, the substantive opt-out right established by the proposed amendments to Regulation E (the Proposal), but for the following reasons our bank is very concerned about requiring consumers to opt in affirmatively:

- a. The low complaint rate suggests that an opt-in requirement is not necessary.
- b. Research indicates that 8 out of 9 study participants would keep overdraft coverage even if given the opportunity to opt out, so there seems to be very little demand for an opt-in requirement.
- c. If adopted, an opt-in requirement would impose additional administrative burdens on financial institutions, resulting in very little consumer benefit.

Partial Opt Out: A partial opt-out approach is unworkable. Not only is it confusing and difficult to remember, it adds compliance burdens and substantial technology development costs. It is not right that these costs will be borne disproportionately by small- and mid-sized financial institutions - - - like First State Bank & Trust. We believe the Board should implement a regulation that allows financial institutions to offer discretionary overdraft payment services on an "all-or-nothing" basis and that does not punish them for varying the terms on accounts that do not offer overdraft services.

Exceptions to Opt-Out Requirements: We support the Proposal's reasonable-belief exception, but implementing the appropriate technology to comply with the safe harbor rule will be very expensive - especially for community banks like ours. There should be a significant amount of lead time before the rule becomes effective, so that we have time to improve our information systems.

Debit Holds: We support the concept of a two-hour safe harbor, but we believe that implementing the necessary technology to comply with a complex safe harbor rule will be very expensive. The new rule should not take effect for at least two years, especially so that small- and mid-sized institutions can purchase, implement and beta test appropriate information systems.

Thank you for the opportunity to comment on the proposed amendments. Please don't hesitate to contact me if there are any questions.

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