

## FIRST-LOCKHART NATIONAL BANK

P.O. Box 600  
Lockhart, Texas 78644  
(512) 398-3416

J. ROLAND VELVIN  
PRESIDENT AND CEO

March 24, 2009

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

**RE: Proposed Amendments to Regulation E, Docket No. R-1343**

Dear Ms. Johnson:

As a community banker of nearly thirty years and a banker that has offered overdraft privilege services since 1998, I am compelled to provide comments to you on the proposed amendments to Regulation E.

While I am sure that with programs of this type, there are always going to be a few instances in which abuses occur, I would like to comment that I believe that the vast majority of overdraft privilege programs are well managed and not abusive. My experience over the last eleven years has been that these programs are in demand by the consumer and are considered valuable components of our product mix by our customers. I have had far more customers express appreciation for the overdraft program than those unhappy with it. In that regard, I believe that the additional regulation proposed by these consumer advocate groups is not necessary and unwarranted.

Nonetheless, if additional regulation is on the horizon, I would suggest that the Board consider the following items in its review of the proposed Regulation E amendments:

We would support the provisions in the Proposal that would increase disclosure for overdraft programs and also support most of the Proposal's opt-out provisions. **Please note that there has been no consumer demand in our bank for an opt-in requirement.** We think an opt-in requirement would impose an unnecessary administrative burden, and high costs, on our institution without adding any offsetting value for consumers.

In addition, the partial opt-out approach suggested in the regulation is unworkable. Not only is it confusing and difficult to administer, it adds compliance burdens and substantial technology development costs. Moreover, it is not right that these costs will be borne disproportionately by small- and mid-sized financial institutions. We believe the Board should implement a regulation that allows financial institutions to offer discretionary overdraft payment services on a "all-or-nothing" basis and that does not punish them for varying the terms on accounts that do not offer overdraft services.

Regarding the Proposal's reasonable-belief exception, we strongly support that component of the proposed regulation, but we believe that implementing the necessary technology to comply with the complicated safe harbor rule will be very expensive, especially for small- and mid-sized institutions like ours. The new rule should not take effect for at least two years, so that we can purchase, implement and beta test the appropriate information systems.

The proposed legislation also addresses so called "debit holds". We support the concept of a two-hour safe harbor that allows an overdraft fee to be charged, but 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.

I appreciate the opportunity to provide these comments to you. I hope that you will give them careful consideration.

Sincerely,



J. Roland Velvin  
President and CEO  
First-Lockhart National Bank