



March 30, 2009

Ms. Jennifer J. Johnson
Secretary
Federal Reserve Board
20th and C Streets, NW
Washington, D.C. 20051

Re: Docket # R-1343
Proposed changes to Regulation E
Electronic Fund Transfers Act

Dear Ms. Johnson,

We appreciate the opportunity to comment on the proposed changes to Reg E relating to courtesy overdraft programs and procedures.

Headquartered in San Antonio, Broadway Bank is a federally chartered bank with approximately \$1.85 billion in assets and 38 locations in San Antonio and surrounding areas, including its military banking division. I believe that my concerns are common to banks around the country, especially the community banks depending on a variety of third-party processors to meet their transaction processing needs.

Today, when a bank customer informs us he does not want overdrafts paid, we can and do code his account accordingly, as many banks do. What we cannot do today is code his account to pay only certain types of overdrafts. That ability will come at a huge expense to our processor and other processors, and be passed along to the banks. The large banks that are in-house processors will also be hit with this cost; in today's environment that could be devastating to those banks already dealing with economic woes.

Second, some ATM and debit card transactions cannot be stopped. For example, if the ATM is offline, chances are good that the customer will get the cash requested, and the bank has no choice but to honor the transaction. If the merchant taking a debit card transaction does not go through the approval process, the transaction will be processed regardless of the account balance. When these situations cause an overdraft, the bank should be allowed to charge the customary overdraft fee.

Third, we agree that the bank should not assess the overdraft fee when the overdraft is due to a hold for a debit card transaction. However, there should be a requirement that the merchant must determine the transaction amount and submit the transaction during the same processing day as the authorization, thus avoiding "long-term" holds.

And last, we want to recognize that the customer is still the most knowledgeable about his outstanding transactions and must bear final responsibility for keeping his accounts in order, as the great majority of bank customers do. Most of these customers appreciate our efforts to pay an inadvertent overdraft when that need arises, and recognize there is a cost to that service.

We urge you to give banks the option of offering "pay all overdrafts" to the authorized limit, or to "allow no overdrafts", as well as the option to offer an "opt out" of specific types of overdrafts, recognizing some overdrafts may not be avoidable.

Thank you for the opportunity to share our comments on this important proposed legislation.

Sincerely,


Lorraine Houtman
VP, Compliance
Broadway National Bank

Broadway National Bank

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