From: Jay T. Randall, IA

Subject: Electronic Fund Transfers

Comments:

Jay Randall
IA 51529-1500

April 2, 2009

Comment Site Federal Reserve

Dear Comment Site Federal Reserve:

Ms. Jennifer Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Regulation E; Docket No. R-1343

Dear Ms. Johnson,

We appreciate the opportunity to comment on the proposed rule to
Regulation E. We offer the following comments for your consideration:

Current practice regarding overdrafts for ATM withdrawals and one-time
debit card transactions: Our current practice is to not allow ATM
transactions that overdraw the account. ATM transactions are permitted
against ledger/collected balances only, and a withdrawal request greater
than that amount would be refused.

Conversely, we cannot distinguish between recurring debit card
transactions and one-time debit card transactions, due to current
operating system coding limitations. Most banks clear debit card
transactions using a "batch file process." The balance against which
debit card transactions are cleared is the prior business day''s closing
balance. Transactions are not cleared in "real time" against current
balances. Banks using this batch file process are not provided an
opportunity to decline debit card transactions during the day as they are
conducted; as a result, settlement of all transactions conducted during a
single business day are batched and processed at end of day. As a result,
there are occasions in which consumers conduct multiple transactions in a
single day with each transaction authorized against the prior day''s
closing balance. Therefore, if there are sufficient funds based on the
prior day''s closing balance, the debit card transaction is authorized.
This can result in multiple debit card transactions that have been
authorized and for which the bank is obligated to make payment, but which
overdraw the customer''s account when they are actually posted to the
account the following day. In the event a single debit card transaction
exceeds the prior day''s closing balance, the transaction is declined and
the customer must use an alternative form of payment to complete the
transaction.

Recurring vs. one-time debit card transactions

Current technology does not allow banks to distinguish between recurring and one-time debit card transactions. Significant programming changes would be required by banks, merchants and settlement service providers in order to affect such a distinction. We have serious concerns about the additional costs associated with programming, training and implementation of changes necessary for this distinction and point to the financial burden such costs would place on the banks during a time of heightened FDIC insurance premium assessments, earnings pressure and loan losses. In all likelihood, banks would increase monthly service charges on deposit accounts to recoup some of these costs.

Debit holds

The Board has proposed to prohibit banks from assessing overdraft fees where the overdraft would not have occurred but for a debit hold placed on funds in an amount that exceeds the actual transaction amount. We have no objection to this proposal. Given the current processing system used by most Iowa banks, debit holds do not post to accounts, so they do not create overdrafts.

Opt-in vs. opt-out

We prefer an opt-out approach (Alternative 1 of the Board''s proposal). Many banks already allow customers to opt-out of overdraft protection programs at account opening, explaining the various overdraft protection options available to the customer (transfers between accounts, lines of credit, and courtesy automated programs). Bankers also allow customers to opt-out of the program at any time during the account relationship. This allows customers to be in control, and select or decline the specific overdraft service that meets their specific needs.

We have technology and customer service concerns related to a partial opt-out option. We favor an "all or none" approach to overdraft services; a partial opt-out is more likely to confuse customers and lead to the need for extensive explanations as to the different types of transactions that are covered for overdraft services based solely on the customer''s choice with respect to opt-out decisions.

Pricing and term differentiation

We do not anticipate varying the pricing or terms of accounts for customers that opted out of overdraft protection services. Therefore, we do not object to the Board''s proposal to allow banks to provide customers who opt-out of overdraft services an alternative account on reasonably comparable terms as accounts in which overdraft services are permitted. However, we object to any attempt by the Board to enforce price controls or set mandatory "comparable terms" of such alternative accounts.

Notice to customer

Any notice required under the proposal should not create unnecessarily burdensome costs. Therefore, we recommend that any required initial opt-out notice be allowed to be included in a bank''s initial Reg. E disclosure and any subsequent opt-out notice be allowed to be included on either an overdraft notice or periodic statement delivered to the customer.

In closing, due to current system limitations, it is not possible for banks to distinguish between recurring and one-time debit card transactions. Therefore, we request that you withdraw the proposal to

allow consumers the ability to opt-out of ATM and one-time debit card transactions. Instead, consumers should be provided the choice, as is the current standard practice, to opt-out of overdraft services for all transactions, no matter the type.

Thank you for your consideration of our comments.

Sincerely,

Jay T Randall