



Central National Bank Of Enid

One Central Source

By electronic delivery

March 30, 2009

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

Re: Docket Number R-01343
Proposed changes to Regulation E Electronic Fund Transfer Act 74 FR 28866

Dear Ms. Johnson:

Thank you for the opportunity to comment on the proposed changes to Reg E.

Our institution headquarters is located in the northwest portion of Oklahoma in a primarily agricultural area. We are in the largest city in our region and we are the largest local financial institution in our city. At our last quarterly statement, we were in excess of \$517 million in assets.

The banking industry has historically provided discretionary coverage of customer's overdrafts. It was a time consuming process that required individual review by account officers and probably was not applied with predictable consistency. The natural evolution of technology and a desire to provide a more uniformly deployed product has led us to the "overdraft protection" programs of today. These can be automated, thereby freeing account officers to accomplish other tasks.

Based on our experience, overdraft protection is seen favorably by our customers.

We have been able to make this product available to all account holders. In the model that we use at our institution, any customer may "opt out" of the program at any time. We disclose that ability at account opening.

We respectfully disagree that different types of transactions should be treated differently in regards to overdraft protection coverage.

If a customer does not opt out of coverage, then they are expecting that any transaction, regardless of

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324 W. Broadway, Enid Oklahoma 73701
Member FDIC

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whether by ATM, debit card, mobile, ACH, paper check, or any other yet invented method, will be considered for coverage by the bank's overdraft protection program.

Consumers cannot be expected to clearly understand the subtle differences between the increasingly complex payment types. All consumers, including we as banking professionals, desire that when we make a payment instruction (regardless of how that payment instruction is carried out), our bank will act upon our instruction.

To be able to differentiate between one-time and recurring payments would be a massive undertaking and costly to banks, to merchants and to consumers, who would ultimately bear the consequences of increased costs in the form of increased prices. Modifications to computer programs would be required as well.

With great interest, we have read many of the consumer letters that have been submitted on this proposed rule. We clearly see that consumers do not understand the very nature of the electronic transaction processing system. For example:

"Requiring notice to customers or decline the transaction when an ATM or POS debit card transaction is about to trigger an overdraft." This sounds simple, however, there are circumstances where the merchant does not submit the transaction for authorization prior to completing the transaction with the customer. Additionally, there are circumstances where a portion of the system may be temporarily offline and the network operates as a "stand in" up to certain limits. In either of these common scenarios it would be technically impossible to accomplish a notice or declination. (Offline situations can occur during regular maintenance or daily processing periods and during times of business continuity recovery.)

"There is no reason that deposits and withdrawals cannot be posted in precise order [thereby eliminating current posting order procedures in common use]." If transactions were presented to banks in the order they were performed, this might be feasible, but in reality this does not happen. Banks use various methods of posting debits and credits. Many pay the largest debits first on the theory that those are the more important payments such as mortgage, car payment, utilities and if those payments do not clear, it can cause the consumer many more headaches and financial consequences than just an overdraft fee.

Conclusion:

We urge the Board to recognize that payment systems will continue to evolve and coverage by a regulation should be all inclusive instead of singling out specific transaction types. Also, the constraints of network rules must be taken into account when determining whether transactions can be summarily declined in order to avoid overdraft fees. We agree that an "opt out" of overdraft protection is a simple and workable solution.

We also agree that consumers must continue to be held responsible for prudent account management with overdraft protection used only as a tool to protect them against inadvertent errors.

Thank you again for the opportunity to comment on this important topic.

Sincerely,

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Mickie L. Giberson, CRCM
Assistant Vice President and
Compliance Officer