

From: "Paul Christensen" <Pchristensen@metro1cu.org> on 06/01/2004 12:50:56 PM
Subject: Docket No. OP-1198

**BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM**

Re: Docket No. OP-1198 – “Interagency Guidance on Overdraft Protection Programs”

We believe that the proposals for regulating Overdraft Protection Programs would serve only to push many financial institution customers into the grasp of payday lenders and, thus, would serve only as a significant disservice to those customers. We recognize that there have been banks that have abused this service but we hope that the regulatory agencies will acknowledge that most financial institutions, that offer this service, have done so responsibly. The proposals serve only to punish those financial institutions who have acted responsibly and those financial institution customers who have infrequently availed themselves of the service and, as a result, have avoided the embarrassment, onerous fees, and negative effects on credit rating that are associated with returned checks.

Principally, the viewpoint that this service is an extension of credit and is, thus, subject to the disclosure provisions of the Truth in Lending Act (TILA) will, effectively, result in the withdrawal of this service should this viewpoint prevail. Perhaps, the regulatory agencies should look at modifying TILA to allow for this service with the appropriate limits in place to curtail the abuses that have arisen in the banking industry. As a short-term (45 days or less) service facilitating the payment of a check, this process could be viewed as similar to the practice of our vendors allowing us a period of time before submitting our remittance for services or goods (that carry a monetary value) received. The balances of overdraft protection programs should be carried as short-term accounts receivable balances rather than as loan balances.

Sincerely,

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