NATIONAL CONSUMER LAW CENTER
CONSUMER FEDERATION OF AMERICA

Federal Reserve System
12 CFR Part 230
Docket No. R-1197
PROPOSED AMENDMENTS TO REGULATION DD

AND

Office of the Comptroller of the Currency
Docket No. 04-14

Office of Thrift Supervision
No. 2004-30

Federal Reserve System
Docket No. OP-1198

Federal Deposit Insurance Corporation

National Credit Union Administration

PROPOSED OVERDRAFT PROTECTION GUIDANCE

APPENDICES
to Comments

A. Bounce Loan Advertisements and Disclosures on the Internet and Review by Consumer Federation of America
(electronic PDF version only includes selected advertisements)

B. Questions for Consumer Federation of America Survey Poll

C. Woodstock Institute Survey of Chicago Banks with Bounce Loans

D. News Articles

E. Consumer Complaints

Appendix A

(electronic PDF version only includes selected advertisements)

CONSUMER FEDERATION OF AMERICA
REVIEW OF BOUNCE LOAN ADVERTISEMENTS AND DISCLOSURES

Consumer Federation of America (CFA) conducted a review of the websites of 50 financial institutions to assess the current state of advertising and disclosures of this product. Forty-one websites contained advertisements for bounce loans, while 23 had disclosures in the form of Policy/FAQ/fine print sections (hereinafter "Policy/FAQ disclosures"). Our review showed the following practices.

a. Aggressive Marketing

Out of 41 advertisements for bounce loan programs, 37% of them contained language that encouraged customers to overdraw their accounts. Some of the statements used in these advertisements included:

- "run short on cash between paydays"
- "lend a hand when finances are tight"
- "provide members with an excellent alternative to expensive payday lending loan or check cashing outlets"
- "in the event you become overdrawn after…a sudden need for cash".
- "even if you don't have funds available"
- " offers additional flexibility and convenience in managing account holder funds"
- "whether intentional or not"
- "Do you find your checking account running a little thin…do you find yourself with unforeseen expenses?"
- "running a little thin right before payday?"

Many of these statements were found on the websites of multiple financial institutions, suggesting that the advertising originated from a third party vendor. Significantly, only 2% of the ads encouraged or suggested that customers maintain a positive account.

b. Contradictory Guarantees of Coverage vs. "Discretionary Nature"

Most of the 41 institutions that advertised bounce loans used a "bait and switch" technique. These institutions prominently displayed statements that suggested guaranteed coverage, using themes of "we've got you covered" or "peace of mind," while downplaying the "discretionary" aspects of the program that were disclosed. A comparison of the advertisements versus in the Policy/FAQ disclosures also showed contradictions. Misleading language as to the scope of the coverage was contained in 78% of the advertisements, but only 26% of the Policy/FAQ disclosures. The discretionary aspects of the programs were disclosed in 96% of the Policy/FAQ disclosures, but only 73% of the advertisements.

Furthermore, 54% of the advertisements promoted the guarantees of coverage more heavily than the discretionary nature. Only 27% of the advertisements discussed the discretionary aspects more than guarantees of coverage and 20% of the advertisements discussed the discretionary nature and promises of coverage equally. In contrast, 9% of the Policy/FAQ disclosures promoted the guarantees of coverage over the discretionary aspects, 74% of the Policy/FAQ disclosures emphasized the discretionary nature, and 17% of the Policy/FAQ disclosures appeared to treat the coverage and discretionary aspects equally.

The marked distinction between the advertisements and the Policy/FAQ disclosures reveal that these two mediums of consumer information are inconsistent and sometimes contradictory. Often, the advertisements and the disclosure do not even appear on the same webpage.

c. Lack of Information

Inconsistent information isn't the only problem facing consumers. The lack of disclosures can prove just as problematic, especially since there is no common understanding of how these programs operate that a reasonable consumer could be expected to know. A review of website advertisements revealed that many did not provide vital information about the requirements and terms of bounce loans. While the Policy/FAQ disclosures fared better (on some of the issues) than the advertisements, an analysis of them shows they were sometimes inconsistent and ambiguous.

The dearth of critical information is shown by these percentages, for both website advertisements and Policy/FAQ disclosures:

- Only slightly over half (54%) of the advertisements and 91% of the Policy/FAQ disclosures list the eligibility requirements for bounce loans.
- Only 41% of the advertisements and only about a quarter (26%) of the Policy/FAQ disclosures reveal the specific dollar amount of the bounce loan/overdraft fee.
- Less than one-third (31%) of advertisements and 77% of Policy/FAQ disclosures make clear that that fees are included in the bounce loan limit.
- 0% of advertisements and 9% of Policy/FAQ disclosures describe the order of how the institutions pay checks and debits.
- Only 39 % of both advertisements and disclosures inform the customer about the expected repayment schedule.
- Only 20% of the advertisements and 13% of the Policy/FAQ disclosures describe the procedures for suspension.
- Only 29% of the advertisements and 39% of the Policy/FAQ disclosures reveal that the customer will be notified in the event of an overdraft.
- Only 59% of the ads and 52% of the Policy/FAQ disclosures inform consumers whether or not their service is available through an ATM or debit card transactions.

d. Disclosures for ATM and Debit Card Transactions: Availability of Funds and Balance Displayed

Financial institutions have defended bounce loans by touting the costs savings to consumers in the form of eliminating merchant fees. These arguments have no merit when ATM and many debit card transactions are involved. Our analysis of bounce loan advertisements reveals that 44% of the institutions explicitly inform consumers that bounce loans are available through ATM and debit card transactions. Only 12% of the institutions explicitly state that bounce loans are not available at ATMs or debit card transactions. We do not know whether the over 40% of the institutions that were silent on this issue offer bounce loans through ATMs and debit cards, but we suspect many do.

On one hand, the fact that 44% of institutions reveal that consumers can overdraw their accounts using ATMs and debit cards at least provides some level of warning to consumers. On the other hand, this information is troubling in that it may tempt vulnerable consumers in need of "quick cash" to use ATM bounce loans as a form of a payday loan. As discussed in the comments, we believe that ATM and on-line debit card bounce loans should be banned. At a minimum, consumers need to be warned when they are about to overdraw by ATM or debit card. Out of 41 advertisements and 23 Policy/FAQ disclosures, none of these documents commented on whether or not the ATM would warn consumers who were about to overdraw their accounts.

Another controversial issue has been the fact that some bounce loan programs combine the consumer's actual balance and bounce loan availability limit when disclosing available balances to consumers. Despite this controversy, 5% of the advertisements were bold enough to explicitly state that bounce loan limits would be combined with the actual balance. (We suspect that many of the institutions that were silent about this issue also engage in this practice.) Only about 2.5% stated that the balances would not be combined.

The following table is a summary of the CFA review:

	Questions	Ads (41)	Policy/FAQ/ FP (23)	Combined (64)
1	Is there any language in the literature that encourages customers to overdraw their accounts? (% "yes")	37%	9%	27%
2	Does the literature encourage customers to keep a positive account? (% "yes")	2%	9%	5%
3	Is there any language that suggests that checks "will be covered", misleading customers as to the scope of coverage? (% "yes")	78%	26%	59%
4	Is there any language that suggests that the service is "discretionary" in terms of the bank paying the overdraft? (% "yes")	73%	96%	81%
5	Does the language side more with guarantees of coverage or more with discretionary nature?			
	% coverage	54%	9%	38%
	% discretionary	27%	74%	44%
	% neutral	20%	17%	52%
6	Does the language confer that Overdraft Protection is NOT a loan (% "yes")	34%	22%	30%
7	Are the eligibility requirements listed (good	54%	91%	67%

	standing, etc.)? (% “yes”)			
8	If “good standing” is listed, is “good standing" defined? (% “yes”)	24%	74%	42%
9	Is there a contact for additional information on the program (aside from the bank’s header on the website)? (% “yes”)	49%	22%	39%
10	Does the literature make clear that fees are assessed? (% “yes”)	90%	100%	94%
11	Is the $ amount of the fee listed in the literature? (% “yes”)	41%	26%	36%
12	Does the literature make clear that fees are included in the overdraft limit? (% “yes”)	31%	77%	48%
13	Does the literature inform the customer about the total $ limit of protection for overdraft and fees? (% “yes”)	63%	70%	66%
	Ad "protection" range: $50-$2,000			
	FAQ/Fine Print "protection" range : $200 - $1,000			
14	Is there a per day fee for remaining in a negative account? (% “yes”)	5%	13%	8%
15	Is the institution’s “order of payments” of items from account disclosed? (% “yes”)	0%	9%	3%
16	Does the literature list the expected repayment schedule? (% “yes”)	39%	39%	39%
17	Does the literature discuss whether or not other accounts are used for overdrafts prior to advancing the overdraft? (% “yes”)	32%	26%	30%
18	Are the procedures for suspension of the services listed? (% “yes”)	20%	13%	17%
19	If an account is overdrawn, how will customer be notified? (% by Mail, the rest are unknown)	29%	39%	33%
20	Does the literature inform consumers whether or not the service is available through ATM or POS charges?			
	% UNKNOWN	41%	48%	44%
	% explicitly AVAILABLE on ATM/POS	46 44%	43%	44%
	% POS only	2%	4.35%	3%
	% explicitly NOT Available on ATM/POS	12%	4.35%	9%

21	Does the ATM warn customers they are about to overdraw their accounts? (% UNKNOWN)	100%	100%	100%
22	Does the ATM combine customer's balance with overdraft protection balance?			
	% YES	5%	4%	5%
	% NO	2.44%	9%	5%
	% UNKNOWN	93%	87%	91%
23	Is there an "opt-out" notice?	20%	13%	17%
24	Are the alternatives to discretionary overdraft protection discussed? (% "yes")	10%	0%	6%

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1	Is there any language in the advertisement that encourages customers to overdraw their accounts (%	37%	9%	27%
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23	Is there an "opt-out" notice?	20%	13%	17%
24	Are the alternatives to discretionary overdraft protection discussed? (% Yes)	10%	0%	6%

Financial Institution and Report Key by URL

Financial Institution	Report Key	URL
1	1	http://www.cofcu.org/prodserv/checking.html
	2	http://www.cofcu.org/pdf/overdraft.pdf
2	3	http://www.cu1.org/servlet/content/1248.html
	4	http://www.cu1.org/servlet/content/1249.html
3	5	http://www.greatamericancu.org/check_overdraft.html
4	6	http://www.centralnational.com/bounce_protection.htm
	7	http://www.centralnational.com/disclosures.htm
5	8	http://www.sandia.org/ASP/Products/product_2_4.asp
6	9	http://www.fidelitybank-pa.com/add_overdraft.asp
7	10	http://www.chemicalbankmi.com/cfc/home.nsf/0/6185E2610156F83485256BC200648177?OpenDocument
8	11	http://www.lakecitybank.com/FAQs/overdraft%20pri_faq.asp
	12	http://www.lakecitybank.com/Personal/overdraft_privileges_policy.asp
	12b	http://www.lakecitybank.com/PDF/ScheduleOfFees.pdf
9	13	http://www.dupaco.com/odp.htm
10	14	http://www.psbnetbank.com/odp.htm
11	15	http://www.citynationalbank.com/Pages/freechecking.html
	16	http://www.citynationalbank.com/Pages/overdraft.html
12	17	http://www.pastatebank.com/nba.htm
13	18	http://www.justcallhome.com/oops.htm
14	19	http://www.evansnationalbank.com/consumer/sos.php
15	20	http://www.1stsource.com/personal_banking/products/overdraft_policy.htm
16	21	http://www.intrustbank.com/Personal/Cards/Overdraft.aspx
17	22	http://www.somersetsavings.com/Redi_Reserve_Overdraft_Protection.html
18	23	http://www.pvnbank.com/overdraftchecking.htm
19	24	http://www.oldnational.com/03_pdf/odpolicy.pdf
20	25	http://www.ibc.com/SubAccountFeatures.asp?tab=OnlineBanking#
21	26	http://www.hawthornecu.com/checking/bounce_safe/bounce_safe.html
	27	http://www.hawthornecu.com/checking/bounce_safe/disclosure.htm
	28	http://www.hawthornecu.com/Frequently_asked_questions/Bounce_Safe/bouncesafe_faq.html
22	29	http://www.premiermembers.org/cuinfo/courtesypay.html
23	30	http://www.fnbsd.com/marketing/Marketing?BANKID=83&LVLNBR=4&NAV_ITM_KEY=83100105
24	31	http://www.dccu.us/images/Overdraft%20courtesy%20disclosures.pdf
25	32	http://www.fairmontfcu.com/Services/overdraftprotection.htm
26	33	http://www.coastalfcu.org/site/bouncegdfaq.htm
27	34	http://www.firstfederalbank.com/personal_banking/checking.cfm

Financial Institution and Report Key by URL

28	35	https://www.oaktrust.com/overdraft.asp
29	36	http://www.omegafinancial.com/brochure/courtesy.html
30	37	https://www.tinkerfcu.org/Checking/CourtesyPay.html
31	38	http://www.sdccu.com/pages/aservices/Overdraft_4.asp
32	39	http://www.safeamerica.com/prod_serv/checking/courtesy.html
33	40	http://www.psfcu.org/courtesypay.shtml
34	41	http://www.stcu.org/overdraftprotection.html
35	42	http://www.uccu.com/courtesyannounce.htm
36	43	http://www.firstcu.coop/CPOdisclosure.htm
37	44	http://www.aeacu.com/keypoint.cfm?tn=std&menuid=82&navids=2,82&pageid=77
38	45	http://www.pffcu.org/accounts/accounts_overdraft.asp
39	46	http://www.aerospacecu.org/CourtesyPay.B.12.03.pdf
40	47	http://www.wpcu.org/services/courtesy.htm
41	48	http://www.lcfcu.org/site/FAQ-MP.html
42	49	http://www.dukefcu.duke.edu/images/cpayhandbills.pdf
43	50	http://www.safecu.org/content/checking_savings/checking_overdraft.asp
44	51	http://www.firstnationalbank.com/page.cfm?id=2326
45	52	http://www.powerfcu.com/Resources/PDFs/courtesy_pay_brochure_web.pdf
46	53	http://www.nihfcu.org/disclosures/disclosures_courtesy.cfm
47	54	duplicate of #55
	55	http://www.ucnb.com/poverdraft.asp
48	56	http://www.moneyonefcu.org/overdraft.html
49	57	http://www.southportbank.net/bounceguard.htm
50	58	http://cffc.com/banking/op/op.asp

Introducing Overdraft Privilege

At your credit union, we understand the frustration of a tight cash flow and the extra costs that can result from the occasional or inadvertent overdraft. To help eliminate merchant fees, alleviate embarrassing situations, and lend a hand when finances are tight, your credit union is pleased to introduce **Overdraft Privilege**.

Overdraft Privilege is specially designed to pay overdrafts on eligible member share draft accounts up to $700.* To understand the full value of this exciting new program, consider this real-life scenario. When an overdraft occurs at your credit union, the checking account holder is charged a Non-Sufficient Fund (NSF) fee of $20 and the check is returned to the payee. If this payee is a merchant, they then add a "Returned Check Fee" that may range from $25 to $50. In many cases, the merchant will then make a second attempt to cash the bounced check and the cycle of fees and charges is repeated. Under these circumstances, fees could range from $65 to $140! What's more, the merchant would then be forced to place a call to the member to demand full payment and may even post the returned check for other customers to see. Embarrassing, without a doubt.

With Overdraft Privilege, the entire scenario could be avoided for the single cost of the initial overdraft! How? We'll simply take the checking account balance below zero, access the standard $20 NSF charge, and honor the check. The bottom line? Overdraft Privilege will save credit union members thousands of dollars in Returned Check Fees and eliminate embarrassing merchant collection procedures. And because the amount of the overdraft advance is provided at no interest, **Overdraft Privilege will provide members with an excellent alternative to expensive payday loan or check-cashing outlets**.

Effective immediately, Overdraft Privilege is available on all eligible credit union personal share draft accounts. There are NO documents to sign and, unless the service is used, it costs nothing. Restrictions do apply and eligible accounts must remain in good standing.** Checking account holders—look for additional details on Overdraft Privilege in your October 31 share draft statement. And if you have your checking account at another financial institution that doesn't offer this valuable service, perhaps it's time to "check" with the financial home you own.

Overdraft Privilege. It's a hassle-free service that can help eliminate merchant fees and provide a little extra cushion when finances are tight. If you have questions, contact a Member Services Representative at any of our seven convenient locations or call 557-1700 / 800-383-1700.

*$400 for members age 22 and under. The Overdraft Privilege service does not constitute an actual or implied agreement between you and Dupaco Community Credit Union. Nor does it constitute an actual or implied obligation of or by Dupaco. This service represents a purely discretionary courtesy or privilege that the credit union may provide to you from time to time and which may be withdrawn or withheld by the credit union at any time without prior notice, reason, or cause.

**An account in good standing is defined as the following:
1. The account is not overdrawn for more than 30 consecutive calendar days.
2. The account is free of any restrictive hold codes.
3. The member does not have any non-performing loans with Dupaco Community Credit Union. (For new accounts there will be an aggregate deposit requirement of $300 during the initial 30-day period following the opening of the account in order to qualify for Overdraft Privilege.)

Overdraft Privilege

If you have to bounce it...
bounce it off of us!

THE ADVANTAGE OF "O.P."!

Citizens and Farmers Bank and our division Citizens & Commerce Bank would like to save you the embarrassment and the expense of having your checks returned unpaid and OVERDRAFT PRIVILEGE does just that!

Simply open a checking account with us and after 30 days you can become a Privileged account holder! PUT THE BALL IN YOUR COURT!

Ask one of our Personal Bankers for more information today and become one of our special Privileged customers!

WHAT IS OVERDRAFT PRIVILEGE?

Overdraft Privilege is an exciting benefit of your checking account! You simply open a checking account with us and keep it in good standing for at least 30 days, and we, at our discretion, pay your overdraft checks rather than return them.

HOW WILL OVERDRAFT PRIVILEGE BENEFIT ME?

Overdraft Privilege will save you the embarrassment if you make an honest mistake in your checkbook, have unplanned expenses or run short on cash between paydays. Instead of returning checks unpaid, we will automatically pay them for you, up to your Overdraft Privilege limit.

Ask or call us today for more information!

1-800-296-6246

PEOPLES STATE BANK

We Put People First

Net Teller Login

Customer Service

Consumer Deposits
Consumer Services
Consumer Lending
Mortgage Services

Business Banking

Internet Links
Community Links
Calculator Links

About Us

Overdraft Privilege

Credit Card **Consumer Loans** **Calculators**

If occasionally you find that you are a little short on funds…

If you have made an error on your account balance and overspend by mistake…

When you bank with us, you're entitled to Overdraft Privilege – saving you the embarrassment of having a check returned unpaid, and the expense of having to pay two fees for a single overdraft!

What is the Overdraft Privilege?

- A financial resource that can cover your overdraft checks
- Peoples State Bank's convenient response to your unexpected banking needs
- A valuable enhancement to your banking relationship
- Not a promise … but a privilege … to you, our customer!

We can save you the expense and embarrassment of having your checks returned; the Overdraft Privilege does just that.

As long as you maintain your account in good standing, Peoples State Bank may elect to pay your overdraft checks rather than returning them unpaid.

You will be charged the applicable fee for insufficient funds. However, checks that are paid through the Overdraft Privilege enable you to avoid the additional expense of another fee, charged by the payees.

How can I get the Overdraft Privilege?

You simply open a Peoples State Bank checking account, then after 30 days you become a Privileged account holder! You don't have to do anything other than to keep making your regular deposits. What could be easier?

What happens if I make a mistake?

We have a program for you to be able to continue to use your checking account while you cover your overdraft amount. We want to keep you as a satisfied customer and to help you repay any outstanding amount.

Ask one of our customer service representatives to tell you more about Overdraft Privilege today!

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 PEOPLES STATE BANK Phone Directory admin@bankpeoples.com
Updated: 03.18.2004

Member FDIC

Courtesy Pay Policy

(A Discretionary Overdraft Service Formerly Known as Overdraft Privilege)

It is the policy of Aerospace Community Credit Union to comply with applicable laws and regulations, and to conduct business in accordance with applicable safety and soundness standards.

A non-sufficient funds balance may result from: A) The payment of checks, electronic funds transfers, or other withdrawal requests; B) Payments authorized by you; C) The return, unpaid, of items deposited by you; D) The imposition of credit union service charges; or E) The deposit of items which according to the credit union's Funds Availability Policy, are treated as not yet "available" or finally paid.

We are not obligated to pay any item presented for payment if your account does not contain sufficient collected funds. Rather than automatically returning, unpaid, any non-sufficient funds items that you may have, if your eligible account (primarily used for personal and household purposes) has been open for at least thirty (30) days and thereafter you maintain your account in good standing, which includes at least: (A) Continuing to make deposits consistent with your past practices, and depositing at least $600 or more in your account within each thirty (30) day period, (B) You are not in default on any loan obligation to Aerospace Community Credit Union, (C) You bring your account to a positive balance (not overdrawn) at least once every thirty (30) days, and (D) Your account is not the subject of any legal or administrative order or levy, **we will consider – as a discretionary courtesy or *service and not a right of yours nor an obligation on our part – approving your reasonable overdrafts.** This **discretionary *service** will generally be limited to a $800 overdraft (negative) balance for Free Personal Checking accounts. Of course, any and all credit union fees and charges, including without limitation our non-sufficient funds/overdraft fees (as set forth in our fee schedules) will be included in this limit.

We may refuse to pay an overdraft for you at any time, even though your account is in good standing and even though we may have previously paid overdrafts for you. You will be notified by mail of any non-sufficient funds items paid or returned that you may have; however, we have no obligation to notify you before we pay or return any item. The amount of any overdrafts plus our Non-Sufficient Funds and/or Overdraft (NSF/OD) Charge(s) that you owe us shall be due and payable upon demand. If there is an overdraft paid by us on an account with more than one (1) owner on the signature card, each owner, and agent if applicable, drawing/presenting the item creating the overdraft, shall be jointly and severally liable for such overdrafts plus our Non-Sufficient Funds and/or Overdraft (NSF/OD) Charge(s).

LIMITATIONS: Available only to eligible free checking accounts primarily used for personal and household purposes and we may limit the number of accounts eligible for the Courtesy Pay *service to one account per household. All savings accounts, business checking accounts, checking plus accounts, money market accounts, and all minor accounts are not eligible.

The Courtesy Pay service does not constitute an actual or implied agreement between you and the credit union. Nor does it constitute an actual or implied obligation of or by the credit union. This service represents a purely discretionary courtesy or privilege that the credit union may provide to you from time to time and which may be withdrawn or withheld by the credit union at any time without prior notice or reason or cause.

AEROSPACE
COMMUNITY CREDIT UNION

The Better Way to Bank™

636-916-8300

www.aerospacecu.org

AEROSPACE
COMMUNITY CREDIT UNION

The Better Way to Bank™

Courtesy Pay

Courtesy Pay

Courtesy Pay for eligible Free Checking Accounts

Have You Ever…

- Made an honest mistake in your checkbook?
- Found yourself "a little short"?
- Had unusual or unforeseen expenses at just the wrong time?

Relax…
You Deserve Consideration!

Rather than automatically returning unpaid any insufficient funds items that you may have, we will consider paying your overdrafts up to $800.*

Courtesy Pay Can Mean…

- You can avoid high charges from merchants for returned checks
- You have new convenience and flexibility in managing your funds
- Payment of **OVERDRAFTS UP TO $800** will normally be considered

**Of course, we can't promise to pay every overdraft, not all accounts are eligible, and some restrictions do apply (See the Courtesy Pay Policy).*

IMPORTANT NOTE:
Courtesy Pay benefits *do not apply* to transactions made –
- **With your VISA Check Card**
- **With your ATM card or**
- **At any Shared Branch facility**

What is the charge for Courtesy Pay?

The fee is $20 per overdraft, the same fee as if the check were to be returned. The difference with Courtesy Pay is that the check is paid and not returned, saving you the embarrassment and additional fees from the merchant. Each time ACCU uses Courtesy Pay, we will send you a notification. Courtesy Pay gives you flexibility when you need it most and protection against the occasional shortage in your checking account.

This service is an additional feature of your checking account, and requires no action on your part. Of course, we can't promise to pay every overdraft and we are never obligated to pay your overdrafts, even if your account is in good standing and even though we may have previously paid overdrafts for you. **RESTRICTIONS DO APPLY**. Please see back panel for more information.

The added value of Courtesy Pay to you includes no third party fees, late fees, and no embarrassment for a returned check. You will receive the benefit of peace of mind with this service. If you have any questions, please call or visit your local branch office.

Courtesy Pay can protect you when you need it most.

AEROSPACE
COMMUNITY CREDIT UNION
The Better Way to Bank™

NCUA
National Credit Union Administration
a U.S. Government Agency

BounceGuard Overdraft Privilege Questions and Answers

We are very excited to tell you about a new service Southport Bank is now offering to our most valued customers. It's called **BounceGuard** and we know you will be pleased with the advantages it will offer you.

With **BounceGuard** we've got you covered if you:

- find your checking account running a little thin right before payday
- make an honest mistake in your checkbook once in a while
- find yourself with unforeseen expenses at inopportune times

...and who doesn't?

BounceGuard covers your overdrafts up to $750.00 so your checks, up to this limit, are not returned to the merchant - saving you additional charges and embarrassment.

There is no charge for **BounceGuard** unless you use it, and then you only pay Southport Bank's normal overdraft fee. If your account remains overdrawn for more than seven days, a daily overdraft fee will be assessed.

Additional information about **BounceGuard** can be found in the Q&A below. If you have further questions please contact our Call Center at (262) 942-1111 or a personal banker. We hope you enjoy the peace of mind **BounceGuard** offers you.

What is BounceGuard?

BounceGuard is a benefit for your personal checking account. The service will provide up to $750.00 of overdraft protection (subject to account type) on approved checking accounts. The account must be open at least 60 days and maintained in good standing.

How will BounceGuard benefit me?

BounceGuard will save you the embarrassment when you make an honest mistake in your checkbook, have unplanned expenses or run short on cash between paydays. Instead of returning checks unpaid, we will automatically pay them for you, up to your **BounceGuard** limit.

How does BounceGuard differ from Overdraft Protection?

BounceGuard is free unless you overdraw your account. There are no applications to complete, no annual fee, and nothing to sign.

How does BounceGuard work?

When we receive an item for payment, we pay it up to your **BounceGuard** limit, including the overdraft fee. This eliminates the additional returned check charge that a retailer may impose.

Is BounceGuard a loan?

No. The bank is allowing you to overdraw your account up to your **BounceGuard** limit as a non-contractual courtesy. This service can be withdrawn at any time by the bank.

Do I have to apply for this service?

No. **BounceGuard** is automatically added to your account as long as it meets the requirement of our BounceGuard Policy.

How do I use BounceGuard?

This is automatic, too. Overdrafts are approved on your account for checks that you cash and withdrawals that you make at our branches as well as checks presented for payment or ATM withdrawals.

How will I know when I'm overdrawn?

We will mail you a letter to notify you when your account is overdrawn. Periodically, we will send you reminder letters advising you of your overdraft until you bring your account to a positive balance.

What if I go over my BounceGuard limit?

When you exceed your assigned **BounceGuard** limit, items will be returned when presented for payment.

Is there a charge for BounceGuard?

No. There is no **BounceGuard** charge. There are, however, standard overdraft fees as described in our Product and Fee Disclosure. If your account remains overdrawn for more than 7 days, a daily overdraft fee will be accessed.

How long do I have to repay the overdraft?

Generally speaking, you have 30 days or less to pay any overdraft and overdraft fees. However, depending on the situation, we can ask for repayment at any time. Any deposits you make will first be applied to any overdrawn balance.

What happens if I can't bring my account to a positive balance?

With **BounceGuard**, you have 30 days to bring your account to a positive balance. If at that time, you still have a negative balance, your **BounceGuard** benefits will be suspended or revoked until the account returns to good standing.

Will this affect my credit rating?

There is no effect on your credit rating if you clear up the overdraft in a timely manner – we encourage you to clear up the overdraft within 3-4 days.

BounceGuard Overdraft Privilege

It is the policy of Southport Bank (hereafter known as "Bank") to comply with all applicable laws and regulations and to conduct business in accordance with applicable safety and soundness standards.

The Depositor's Account Agreement controls the duties, obligations and rights of the Depositor, the Authorized Signatories and Bank with regard to your checking account. The Depositor's Account Agreement is incorporated herein for all purposes as if it were set forth verbatim, and its terms shall control any possible conflict, if any, between any provision of the **BounceGuard** Overdraft Privilege Policy and the Depositor's Account Agreement.

The Bank is not obligated to pay any item presented for payment if your account does not contain sufficient collected (available) funds, and any discretionary courtesy payments by the Bank or any non-sufficient fund check or checks (or other items) does not obligate it to pay any additional non-sufficient fund check or item or to provide prior written notice of its decision to refuse to pay any additional non-sufficient fund check or item.

Pursuant to the Bank's commitment to always provide excellent customer service, if your personal account (primarily used for personal and household purposes) has been open for at least 60 days the Bank will consider as a discretionary courtesy and not a right or obligation, approving your reasonable overdrafts when your account is in good standing, which includes at least:

- Making regular deposits consistent with your past practices
- Account cannot be linked to a personal line of credit
- Account cannot have excessive overdrafts
- Not being in default on any loan obligations to the Bank
- Not being subject to any legal or administrative order or levy

This courtesy will generally be limited up to $750.00 depending on the account type and that the account be in good standing. Of course, any and all bank fees and charges, including without limitation, the non-sufficient fund/overdraft fees (as set forth in our fee schedules and our Depositor's Account Agreement) will be included in the limit.

The total of the courtesy overdraft (negative) balance, including any and all bank fees and charges, including all non-sufficient fund/ overdraft fees, is due and payable upon demand, and Depositor and each Authorized Signatory will continue to be liable for such amounts, as described in the Depositor's Account Agreement.

Generally the bank may limit this courtesy to only one account per household. **BounceGuard** Overdraft Privilege is available for personal accounts only.

Again, approval of reasonable overdrafts by the Bank on personal accounts in good standing (as described above) is only a courtesy, and not a right or obligation and is within the Bank's sole and absolute discretion, and can cease at any time without prior written notice or reason or cause. Credit agencies may be notified if overdrafts are not paid as agreed.

Notice: The bank is not responsible for and has no control over the subject matter, content, information, or graphics of the web sites that have links here. Please contact us with any concerns or comments.

Union Center
UNION CENTER NATIONAL BANK

Log In: Choose a service..
Enroll: Choose a service..

Personal Services

- Checking
- Check Card
- Savings / CD
- Money Market
- IRA's
- Online Banking & Bill Payment
- Personal Loans
- Home Equity Loans
- Mortgages
- TeleBanc
- Overdraft Protection

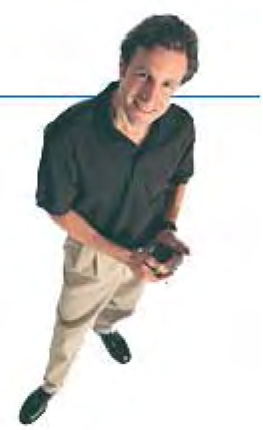
Business Services

Inside UCNB

Investor Relations

Personal Services

Overdraft Protection



Do you find your checking account running a little thin?

Do you ever make an honest mistake in your checkbook?

Do you find yourself with unforeseen expenses?

With UCNB Overdraft Protection you may never have to worry about that again. That's because, CheckSafe provides overdraft protection up to $500 on your checking account or money market account. Saving you time, embarrassment and money.

What is UCNB CheckSafe Overdraft Protection?
CheckSafe Overdraft Protection is a benefit of your personal checking or money market account. The service will provide up to $500 overdraft protection on approved checking accounts open at least 30-45 days and maintained in good standing.

How will UCNB CheckSafe Overdraft Protection benefit me?
UCNB CheckSafe will save you the embarrassment when you make an honest mistake in your checkbook, have unplanned expenses or run short on cash between paydays. Instead of returning checks unpaid, we will automatically pay them for you, up to your UCNB CheckSafe limit. Please refer to the UCNB CheckSafe Statement included on the back of this brochure for details.

How does UCNB CheckSafe work?
When we receive an item for payment, we pay it up to your UCNB CheckSafe limit, including the overdraft charge. So, you have no additional returned check charge from retailers.

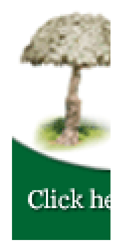
Is UCNB CheckSafe a loan?
No. The Bank is allowing you to overdraw your account up to your UCNB CheckSafe limit as a non-contractual courtesy. This service can be withdrawn at any time by the Bank.

Do I have to apply for this service?
No. UCNB CheckSafe is automatically added to your account for checks you cash at our banking centers, withdrawals, checks presented for payment, ATM withdrawals, or purchases you make with your Visa Check Card.

How will I know when I'm overdrawn?
We will mail you a letter to notify you when your account is overdrawn. Periodically, we will send you reminder letters advising you of your overdraft until you bring your account to a positive balance.

What if I go over my CheckSafe limit?
When you exceed your assigned UCNB CheckSafe limit, items will be returned when presented for payment. Overdraft fee is still assessed.

Apply
- Online Ap
- Download
- Current R



Curr
- Deposit R
- Personal L
- Mortgage

Deposit
- Online Ap

So, is there a charge for CheckSafe?
No. There is no UCNB CheckSafe charge. There are, however, standard overdraft fees as described in your Account disclosure.

What happens if I can't bring my account to a positive balance?
With UCNB CheckSafe, you have 30 days to bring your account to a positive balance. If at that time, you still have a negative balance, your UNCB CheckSafe privileges will be suspended or revoked until the account returns to good standing.

Will this affect my credit rating?
There is no effect on your credit rating if you clear up the overdraft in a timely manner - we encourage you to clear up the overdraft within 3-4 days.

Home | Security/Privacy | Locations | Rates | Calculators | Contact Us

OVERDRAFT PRIVILEGE℠ SERVICE
-On Personal Checking Accounts-

HAVE YOU EVER....

- Made an honest mistake in your checkbook?
- Found yourself "a little short?"
- Had unusual or unforeseen expenses at just the wrong time?

RELAX.....

Rather than automatically returning unpaid any insufficient funds items that you may have, we will consider, without obligation on our part, payment of your reasonable overdrafts.

OVERDRAFT PRIVILEGE℠ CAN MEAN....

- You can avoid high charges from merchants for returned checks.
- You have new convenience and flexibility in managing your funds.
- Payments of OVERDRAFTS UP TO $950 ($500 on **FREE Checking Accounts**) will normally be considered.
- Less Aggravation and Embarrassment.
- Available for ATM withdrawals and Visa Debit Card Purchases.
- Available for Internet Banking and Telephone Banking Transactions.

We will charge our normal non-sufficient funds or overdraft charge, as set forth in our fee schedules, for each item that would create an overdraft on your account.

Of course, we are not promising to pay your overdrafts, not all accounts are eligible, and some restrictions do apply. (See the Overdraft Privilege℠ Service Description Policy.)

OVERDRAFT PRIVILEGE℠ SERVICE AND FUNDS AVAILABILITY POLICY

(A Discretionary Overdraft Description)
Disclosure Addendum

It is the policy of City National Bank to comply with applicable laws and regulations, and to conduct business in accordance with applicable safety and soundness standards.

An insufficient (negative) balance may result from:

- The payment of checks, electronic funds transfers, or other withdrawal request;
- Payments authorized by you;
- The return, unpaid, of items deposited by you;
- The imposition of applicable service charges; or
- The deposit of items which according to the Funds Availability Policy, are treated as not yet "available" or finally paid.
- ***We are not obligated to pay any item presented for payment if your account does not contain sufficient collected funds****. Rather than automatically returning, unpaid, any non-sufficient funds items that you may have, if your eligible account (primarily used for personal and household purposes) has been open for 60 days and thereafter you maintain your account in good standing, which includes at least:*

- Making regular deposits;
- Bringing your account to a positive balance (not overdrawn) at least once every 30 days;
- You are not in default on any loan obligations;
- Your account is not subject to any legal or administrative order or levy;

we will consider, without obligation on our part, approving your reasonable overdrafts.

This **discretionary* service** will generally be limited to:

- $500 overdraft (negative) balance for Free Checking accounts;
- $700 overdraft (negative) balance for other personal checking accounts;
- $950 overdraft (negative) balance for personal checking accounts with recurring direct deposit (subject to approval).

Of course, any and all fees and charges, including without limitation our non-sufficient funds/overdraft fees (as set forth in our fee schedules) will be included in this limit and will apply to any transaction that overdraws your account including, but not limited to, payments authorized by Checks, ACH/Electronic Items, ATM/Debit

Card/Check Cards, Internet Banking/Online Banking and Telephone Banking Transactions.

We may refuse to pay an overdraft for at any time, even though we may have previously paid overdrafts for you. You will be notified by mail of any non-sufficient funds items paid or returned that you may have; however, we have no obligation to notify you before we pay or return any item. The amount of any overdrafts plus our Non-Sufficient Funds and/or Overdraft (NSF/OD) Charge(s) that you owe us shall be due and payable upon demand. If there is an overdraft paid by us on an account with more than one (1) owner on the signature card, each owner, and agent if applicable, drawing/presenting the item creating the overdraft shall be jointly and severally liable for such overdrafts plus our Non-Sufficient Funds and/or Overdraft (NSF/OD) Charge(s).

Limitations: Available only to eligible personal checking accounts primarily used for personal and household purposes. All business Type Accounts, All Savings Type Accounts, All Money Market Accounts, All Public Fund/Charitable Organization Accounts and Student Minor Accounts are not eligible. We may limit the number of accounts eligible for Overdraft Privilege Service to the following: one account per household, having a physical address, a phone number where the customer may be reached, no "Fresh Start" loans, and being a permanent resident of the United States.

*The Overdraft Privilege Service does not constitute an actual or implied agreement between you and the bank. Nor does it constitute an actual or implied obligation of or by the bank. This service represents a purely discretionary courtesy or privilege that the bank may provide to you from time to time and which may be withdrawn or withheld by us at any time without prior notice or reason or cause.

CITY NATIONAL BANK

Free Checking

Free Checking with Overdraft Privilege℠!

Free personal checking with overdraft privilege gives you added flexibility and convenience in managing your funds.

- No Monthly Fee
- No Minimum Balance
- Unlimited Check Writing
- No Per-Item Charge
- Free Check Safekeeping
- Visa Debit Card Available

Overdraft Privileges:

- $500 on FREE Checking Account
- $700 on any Personal Account
- $950 on any Personal Account with direct Deposit.

No-Hassle Checking Just For You!

City National Bank believes that banking services should be designed to fit your lifestyle. Your checking account should be a convenience, not a hassle. That's why we developed **FREE** checking with Overdraft Privilege℠.

No Minimum Balance!

There is no minimum balance to worry about, and no monthly service fee to pay. You can write as many checks as you need without incurring any excess activity charges.

No Canceled Checks to Keep!

You don't have to store all those canceled checks, City National Bank will keep them for you with Check Safekeeping. Duplicate checks and an itemized monthly statement will identify all of your transactions and you can obtain a copy of any check anytime, for a small charge.

Our Discretionary Overdraft Service Can Mean...

Fewer returned check charges when you make mistakes or write a

check for more money than you have in your checking account. Of course, we are not promising to pay your overdraft, not all accounts are eligible, and some restrictions do apply.
See our Overdraft Privilege Service Description Policy

CITY NATIONAL BANK
Home

Home Federal SAVINGS BANK

OOPS

Albert Lea | Austin | LaCrescent | Rochester | Spring Valley | Winona | Marshalltown, IA | Toledo, IA

just Call HOME

Home
Online Banking
About Home Federal
Locations
Consumer Products
Investment Services
Business Products
Bank Services
Online Applications
Calculators
HMN Financial

Occasional Overdraft Protection Service

What is OOPS!?
Occasional Overdraft Protection Service. This courtesy overdraft service is offered to our customers who maintain their checking account in good standing. While we don't encourage bounced checks, we do know that everyone says OOPS! once in a while. So, come in to Home Federal, where OOPS! can be a good thing.

The service will provide up to $500 overdraft protection on approved checking accounts open at least 30-45 days and maintained in good standing.

How will OOPS! benefit me?
This service will save you the embarrassment when you make an honest mistake in your checkbook, have unplanned expenses or run short on cash between paydays. Instead of returning checks unpaid, we will automatically pay them for you, up to your courtesy overdraft limit. Please refer to the courtesy overdraft statement on the back of this brochure for details.

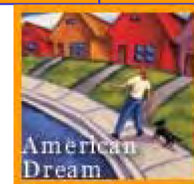
How does OOPS! differ from Overdraft Protection?
OOPS! is free unless you overdraft. There is no monthly or annual fee and you do not have to provide a source account (i.e. savings).

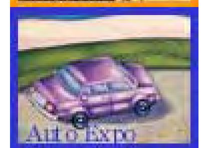
How does OOPS! work?
When we receive an item for payment, we pay it up to your courtesy overdraft limit, including the overdraft charge. So, you have no additional returned check charges from retailers.

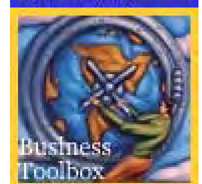
Is OOPS! a loan?
No. The bank is allowing you to overdraw your account up to your courtesy overdraft limit as a non-contractual courtesy. This service can be withdrawn at any time by the bank.

Do I have to apply for this service?
No. OOPS! is automatically added to your account as long as it meets the requirements of our courtesy overdraft statement.

How do I use OOPS!?
This is automatic, too. Overdrafts are approved on your account for checks you cash at our banking centers,







withdrawals, checks presented for payment, ATM withdrawals, or purchases you make with your VISA Check Card.

How will I know when I'm overdrawn?
We will mail you a letter to notify you when your account is overdrawn. Periodically, we will send you reminder letters advising you of your overdraft until you bring your account to a positive balance.

What if I go over my OOPS! limit?
When you exceed your assigned courtesy overdraft limit, items will be returned when presented for payment. An overdraft fee is still assessed.

So, is there a charge for OOPS!?
No. There is no charge. There are, however, standard overdraft fees as described in our account disclosure.

How long do I have to repay the overdraft?
Generally speaking, you have 30 days or less to pay any overdraft and overdraft fees. However, depending on the situation, we can ask for repayment at any time. Any deposits you make will first be applied to any overdrawn balance.

What happens if I can't bring my account to a positive balance?
With OOPS! you have 30 days to bring your account to a positive balance. If at that time, you still have a negative balance, your courtesy overdraft privileges will be suspended or revoked until the account returns to good standing.

Will this affect my credit rating?
There is no effect on your credit rating if you clear up the overdraft in a timely manner - we encourage you to clear up the overdraft within 3-4 days. There is no effect on your credit rating if you clear up the overdraft in a timely manner - we encourage you to clear up the overdraft within 3-4 days.

Disclosures

The Occasional Overdraft Protection Service does not constitute an actual or implied agreement between the customer and Home Federal Savings Bank (hear after known as "Bank"). Nor does it constitute an actual or implied obligation of or by the bank. This service represents a purely discretionary courtesy or privilege that the bank may provide to the customer from time to time, and which may be withdrawn or withheld by the bank at any time without prior notice, reason or cause.

It is the policy of the bank to comply with all applicable laws and regulations and to conduct business with applicable safety and soundness standards. The Depositor's Account Agreement controls the duties, obligations and rights or the Depositor, the Authorized Signatories and the Bank with regard to your checking account.

We are not obligated to pay any item presented for payment if your account does not contain sufficient collected funds. Rather than automatically returning, unpaid, any non-sufficient funds items that you may have, if your eligible account (primarily used for personal, family or household purposes) has been open for at least thirty (30) days and thereafter you maintain your account in good standing, which includes at least: (A) Continuing to make deposits consistent with your past practices, and depositing at least $500 or more in your account within each thirty (30) day period, (B) You are not in default on any loan obligation to the Bank, (C) You bring your account to a positive balance (not overdrawn) at least once every thirty (30) days, and (D) Your account is not the subject of any legal or administrative order or levy, we will consider, without obligation on our part, approving your reasonable overdrafts. This discretionary service will generally be limited to a $500 overdraft (negative) balance. Of course, any and all bank fees and charges, including without limitation our non-sufficient funds/overdraft fees (as set forth in our fee schedule) will be included in this limit.

The total amount of any overdrafts plus any and all bank fees is due and payable on demand, and Depositor and each authorized Signatory will continue to be liable for such amounts, as described in the depositors account Agreement.

Limitations: Oops! is only available to eligible personal checking accounts used primarily for personal, family, or household purposes. (Business Accounts, Money Market and Savings accounts, Public funds accounts are not eligible. ***OOPS! will be limited to one account per household.***

Appendix B

QUESTIONS FOR CONSUMER FEDERATION OF AMERICA SURVEY POLL
conducted by Opinion Research Corporation International

Now I want to ask you several questions about checking accounts.

Many banks now provide what they call "bounce protection plans" in which they cover your bounced checks or let you make ATM withdrawals of money you don't have in your account. The banks charge you the standard bounced check fee of $15 to $35 per check, and deduct this fee and the cost of the overdraft amount from your next deposit. Some banks add a daily fee of $2 to $5 until the overdraft is repaid.

D1 Banks often provide this product WITHOUT obtaining the consent of their customers. Do you believe this to be… (READ LIST. RECORD ONE ANSWER)

01 Very fair
02 Somewhat fair
03 Somewhat unfair
04 Very unfair
99 DON'T KNOW

D2 Some banks with these bounce programs let you withdraw money at the ATM WITHOUT informing you that you are about to overdraw your account and incur a fee. Do you believe this to be … (READ LIST. RECORD ONE ANSWER.)

01 Very fair
02 Somewhat fair
03 Somewhat unfair
04 Very unfair
99 DON'T KNOW

D3 In the PAST YEAR, how many times, if at all, have you overdrawn your checking account? Would you say… (READ LIST, RECORD ONE ANSWER)

01 You don't have a checking account
02 You have a checking account but have NOT overdrawn in the past year
03 You have overdrawn 1 to 2 times
04 You have overdrawn 3 to 5 times
05 You have overdrawn 6 to 10 times
06 You have overdrawn more than 10 times
99 DON'T KNOW

Appendix C

The Woodstock Institute performed a survey to better illustrate how bounced check loans are implemented. We analyzed the checking account guides of the top seven banks (by amounts of deposits) in the Chicago MSA, which together constitute 51.00% of the market. The following table shows our results.

Table 1. Top Chicago banks by Market Share, June 2003, and Bounced Loan Product Characteristics.

Bank	Chicago MSA Market Share of Deposits*	How much is the fee (per item)?	How is the bounced loan product initiated?	Is the service applicable to ATM, POS, and internet transactions?	Is there a sustained overdraft fee?
Bank One NA	20.01%	$30	automatic	yes	$5 for each business day, beginning with the sixth consecutive business day the account balance is below zero.
LaSalle Bank NA	12.13%	$28	automatic	yes	no
Harris Trust & Savings Bank	5.09%	$27	automatic	yes	$5 "consecutive day overdraft fee"
Citibank FSB	4.03%	$30	automatic	yes	no
Northern Trust Co.	3.95%	$25	automatic	yes	no
Fifth Third Bank	2.90%	$30	automatic	yes	$6 "daily overdraft fee"
Charter One Bank NA	2.89%	$33	automatic	yes	When the account remains overdrawn for 5 consecutive banking days, the fee is assessed on the 6th day and then every 4 banking days thereafter as long as the account remains overdrawn.
	51.00% Total	Mean = $29			

* Source: FDIC

All seven banks in the sample share characteristics that we deem abusive. First, the banks misleadingly submit that the service is discretionary on their part. Second, all seven banks enroll new accounts in the program automatically unless another overdraft service is initiated, such as a linked account or an overdraft line of credit. This makes it likely that many customers are not aware they have a bounced check product. Third, all seven banks also apply bounce protection programs to their ATM cards, debit cards, and POS transactions. These applications increase the likelihood that a consumer will accidentally overdraw; especially with a debit card, this can quickly set off a deluge of unanticipated fees. The survey also revealed how costly a bounced check loan can be. Overdraft/NSF fees ranged from $25 to $33, with a mean of $29. In addition, four of the seven banks implement some form of an extended fee; this usually takes the form of a $5-6 daily fee for every day the account is overdrawn.

Table 2 below illustrates how costly a bounced check loan would be at each bank in the sample. Suppose a consumer, starting with an account balance of $0, made five debits of $40 each over a period of 14 days. In each case, the consumer borrowed $200 over 14 days. Following are the fees, including sustained overdraft fees per each bank's check account guide, and the effective interest rate at each of the banks:

Table 2. Bounced Check Loan Scenario.

Bank	Single Overdraft/ NSF Fee	Total Overdraft/ NSF Fees for all 5 debits	Total Sustained Overdraft Fees	Total, All Fees	Effective APR
Bank One NA	$30	$150	$45	$195	2542%
LaSalle Bank NA	$28	$140	$0	$140	1825%
Harris Trust & Savings Bank	$27	$135	$65	$200	2607%
Citibank FSB	$30	$150	$0	$150	1955%
Northern Trust Co.	$25	$125	$0	$125	1629%
Fifth Third Bank	$30	$150	$78	$228	2972%
Charter One Bank NA	$33	$165	$99	$264	3441%
MEAN	**$29**	**$145**	**$41**	**$186**	**2424%**

Chicago MSA Bounced Check Loan Product Study

Rank	Chicago MSA Market Share*	Institution Name	How is the bounced check loan product initiated?	What term is used for the fee in the disclosure document (i.e. NSF, overdraft fee)?	How much is the Fee?	How is the fee assessed?	Is there an extended fee (i.e. daily fee)?	Is the service applicable to ATM, POS, and internet trans-actions?	Is the service discretionary on the part of the bank?	In what order are transactions posted to the account?	Do the disclosure forms specifically state that a covered overdraft is not an application for or an extension of credit?	Source of Information
1	20.01%	Bank One NA	automatic	Overdraft Fee	$30	$30/item	$5 for each business day, beginning with the sixth consecutive business day the account balance is below zero.	yes	yes	Highest to lowest dollar amount each business day	No	"Account Rules and Regulations," p.15, 21
2	12.13%	LaSalle Bank NA	automatic	Overdraft Charge	$28	$28 per item	no	yes	yes	varies depending on location of withdrawal, type of withdrawal (teller, ATM, POS), and business day/other.	No	"Customer Deposit Account Information," p. 25, 31
3	5.09%	Harris Trust & Savings Bank	automatic	Overdrafts/ Insufficient Funds (NSF)	$27	$27 per item, returned or paid	$5 "consecutive day overdraft fee"	yes	yes	varies depending on location of withdrawal, type of withdrawal (teller, ATM, POS), and business day/other.	No	"Harris Bank Handbook for Personal and Business Deposit Accounts," p. 6; "Your Guide to Deposit Services at Harris Bank"
4	4.03%	Citibank FSB	automatic	Check/Item Returned/Paid Against Insufficient/ Unavailable Funds (overdraft)	$30	$30 per item	no	yes	yes	Generally, the bank pays electronic debits (ATM, ACH online bill payments, POS transactions) first; then debits for securities through Citicorp Investment Services; then checks, in order of smallest to largest dollar amount**	No	"Client Manual: Consumer Accounts," p. 28; also, "Marketplace Addendum: Illinois," p. 17
5	3.95%	Northern Trust Co.	automatic	Overdrafts Paid, Returned Items, and Items Paid or Returned against Unavailable Funds	$25	$25 per item	no	yes	yes	varies depending on location of withdrawal, type of withdrawal (teller, ATM, POS), and business day/other.	No	"Personal Deposit Accounts," p. 1-4; "Accounts: Descriptions and Fees," p. 5; "Updated Service Fees"
6	2.90%	Fifth Third Bank	automatic	Overdraft Item	$30	$30 per item	$6 "Daily Overdraft Fee" - "will be assessed to your checking or savings account for each day your account is overdrawn. Does not apply to ETA accounts."	yes	yes	"If multiple items are presented to the Bank for payment and there are not sufficient funds to pay all of those items, Bank (not customer) has the right to decide the order of the items that wil be paid and which items will be returned, if any."	"Customer agrees and acknowledges that such payment does not constitute an application for credit."	"Rules and Regulations Applicable to All Fifth Third Accounts and Cards," p. 3; "Checking" pamphlet
7	2.89%	Charter One Bank NA	automatic	NSF (Non-Sufficient Funds)/ Overdraft Fee	$33	$33 per item; this fee will not be assessed for the first three (3) NSF/overdraft items for specific types of checking accounts.	When the account remains overdrawn for 5 consecutive banking days, the fee is assessed on the 6th day and then every 4 banking days thereafter as long as the account remains overdrawn.	yes	yes	Largest sum to smallest sum; the bank can change posting priorities at its sole discretion without prior notification.	Yes - "I agree and acknowledge that [payment of an overdraft] does not constitute an application for credit."	"Account Rules and Regulations," p.13, 53
	tot. 51.00%											
		* by number of deposits										
		** In California and Nevada accounts, the order is from largest to smallest dollar amount.										

Appendix D

KansasCity.com

Posted on Sun, Jul. 11, 2004

IN YOUR CORNER

Fed looks at overdraft plans

By PAUL WENSKE
Columnist

A year ago, I wrote about growing concerns over new bank overdraft protection programs.

The programs, sometimes called “bounce protection,” “courtesy protection” or “overdraft privilege,” are promoted as ways to cover a bad check for a few days or even a month, but consumer advocates bristle at the high fees banks charge.

Consumer groups argue that the banks seem to encourage patrons to overdraw their accounts. They say the hefty fees assessed, of $20 and up, are actually disguised loans, allowing banks to charge usurious interest rates amounting to 240 percent or more.

Banking and credit union officials, on the other hand, argue that the programs offer convenience to consumers, saving them the embarrassment and cost of a bad check or an overdraft.

Recently, federal regulators decided that the increasingly popular programs are not loans and should be regulated under the Truth in Savings Act — not the Truth in Lending Act. The Federal Reserve has proposed new guidelines that acknowledge the value of the programs while at the same time acknowledging the concerns that some consumers could be gouged by misleading promotions.

Among other things, the proposed guidelines would require banks and credit unions to:

• Disclose details about all fees and risks.

• Protect consumers from misleading advertisements.

• List all transactions, including checks and ATM withdrawals, that result in fees.

• Explain the time period consumers have to cover an overdraft.

• Alert consumers when an ATM withdrawal will trigger a fee.

• Tell consumers how they can opt out of a program.

“The main thing we are concerned about is the disclosure part,” said Lawrence Clos, deputy commissioner of the Missouri Division of Finance, which received complaints from consumers who hadn't been adequately informed about the programs. “We want people to know that when they dip into it, such as when they go to an ATM, they know what the cost is.”

Traditional overdraft protection, for which you sign up, allows you to cover an insufficient-funds check with money from a credit card or savings account. In contrast, many of the new overdraft programs automatically enroll consumers when they open a checking account. Some consumers have complained the programs weren't explained to them and they weren't told about the fees that were charged for every overdraft.

Missouri has limited fees to no more than $20. In Kansas, where there is no limit, charges average between $25 and $35, banking officials said.

Consumer groups complained to regulators that bank customers can be lulled into a false sense of security, especially at ATMs.

For instance, you might need $100. Even if you have only $50 in your account, you'll still be able to withdraw the entire $100. But the ATM might not warn you that your account is now $50 in the hole, and you won't know that until your next bank statement, when you see the added fees.

One problem is that the ATM may make you think you have additional credit you can borrow against, which can be a risky way to manage finances. That's why consumer advocates contend the programs are more like loans or extensions of credit, which should require greater disclosure under the federal Truth in Lending Act.

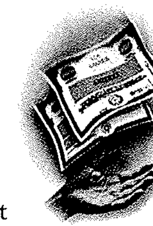
“An ATM machine is online with the bank in real time,” said Chi Chi Wu, a staff attorney with the National Consumer Law Center, a Boston-based organization. “The bank knows you have no money and it's still giving you money. It's a very expensive form of credit.”

The overdraft protection programs are popular among banks. Federal Deposit Insurance Corp. statistics indicate they resulted in revenue of $30.7 billion for banks in 2002, a nearly 13 percent increase from 2001.

That raises a question: Are the programs intended to help consumers or financial institutions?

Ch. Ch.-P77

Protected Securities (TIPS), which are indexed for inflation. Right now, these bonds are priced at levels that assume inflation will run 2.5 percent a year for the next five to 10 years, says Kiesel. If you think prices will rise faster than that, TIPS are a good investment for you.



Some stocks do better in inflationary times, too. As recoveries age and prices rise, the companies likely to benefit most are those in the natural-resources, energy and industrial sectors, says Sam Stovall, chief investment strategist at Standard & Poor's.

Weed your portfolio. Some businesses, like utilities, real-estate investment trusts and telecom companies borrow a lot of money and are considered "interest-rate proxies" that can tank when rates start to travel north. Dump 'em, says Chris Casey, a portfolio manager with Boston Private Bank & Trust. Consumer stocks, like those of retailers, could suffer too as Americans start reading their bills and reining in their spending. Casey is using the extra cash to buy companies he thinks will do well with rising rates, like health-care companies, biotech firms and banks. Not everyone likes bank stocks when rates go up, but think about it. All those banks that raised their prime rate within moments after the Fed action last Wednesday—did you see them hiking their passbook savings rates too? Didn't think so.

BANKING

DON'T O.D. ON OVERDRAFT

BOUNCED A FEW CHECKS LATELY? The Federal Reserve recently OK'd controversial and expensive "bounce-protection plans" for low-income customers who don't qualify for traditional

... ILLUSTRATION BY NEWSWEEK, STAMP BY CORBIS overdraft credit lines. But instead of charging interest on the money advanced, these accounts levy flat fees as high as $30 for each check covered. In interest terms, that can amount to astronomical rates; if you pay a $30 fee to cover a $50 check for three days, it's like paying interest at an annualized rate higher than 7,000 percent. Consumer groups had hoped the Fed would block these plans, but they didn't.

So block it yourself. Shop for a bank that will give you a traditional credit line with market interest rates to cover bounced checks. If you can't get one, deposit a $100 cushion into your account and then forget it's there. And learn to balance that checkbook.

–LINDA STERN

TOP TO BOTTOM: ILLUSTRATION BY HARRY CAMPBELL, PHOTOGRAPH BY DAVID N. BERKWITZ FOR NEWSWEEK

REAL ESTATE

PRIMPED TO SELL

RACING TO UNLOAD your home before the real-estate market tanks? Here's how to prep for that all-important first impression: the open house.

De-clutter. Pack up your winter clothes, that extra sofa, your prized collection of ceramic roosters. "Start really moving out," says Lisa LaPorta, cohost of HGTV's "Designed to Sell." "Know that the house you're selling is not the house you live in anymore."

Neutralize your space. Hide all your personal items, including wedding photos and refrigerator magnets. "You want buyers to envision themselves living there," says Pam Liebman, CEO of the Corcoran Group, a New York City-based real-estate firm.

Fix it up. Repair leaks, water damage and loose or cracked tiles. Make sure your windows are washed and your curtains pushed way back for maximum light. Mow your lawn, and weed your garden.

De-stinkify. Liebman advises setting out scented candles, potpourri or fresh flowers—"they don't say 'bake cookies' for nothing."

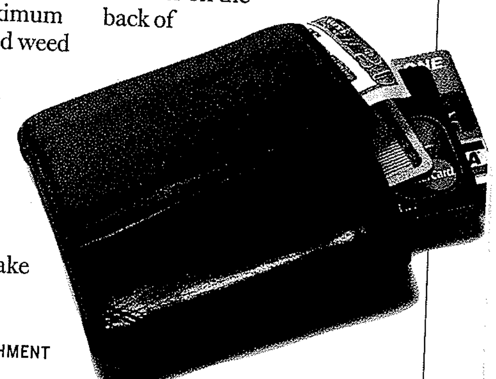
Beat it. Owners should make themselves scarce—and wait for the offers to start pouring in.

–ANNA KUCHMENT

TRAVEL

LEAVE 'EM AT HOME

IF THERE'S A VACATION disaster worse than being stuck in paradise, broke, while a bandit parties on your dime, we don't want to know about it. Thieves love tourists, so a few precautions *before* your purse disappears. Most important: don't bring the same crammed-full wallet to Bermuda that you bring to the grocery store. Take a few minutes to purge deposit slips, credit-card receipts. (You already know you shouldn't carry around your Social Security card, right?) Bring only what you absolutely need: a little cash (less than $100) for tips and taxis, a credit card with purchase protection (most have it; call the customer-service number on the back of



Banks' free checking*
By Christine Dugas, USA TODAY

How many kinds of free checking are there?
To look at some of the ads running these days, there are a lot. Washington Mutual says it is taking free checking to a new level. Bank of New York offers free checking for life. Bank of America says it provides free checking, plus, plus, plus. And Chase has been running ads touting the power of free checking with no compromises.

In the past, free checking was mostly the province of credit unions and community banks. Today, big banks are among the biggest boosters of free checking. But free checking doesn't mean that you won't pay any fees at all. It just limits certain kinds of charges.

You will still pay a fee for special services, such as certified checks. And you'll still pay a penalty for certain infractions, such as overdrawing your account.

Some banks offer more free features than others, while some have hidden charges and other strings attached.

"We're telling consumers to look for free checking," says Ken McEldowney, executive director of Consumer Action. "It's widely available, so there's a good chance you can find an account without conditions."

But don't be swayed by advertising promises alone. Start by learning the basics:

Why are banks jumping on the free-checking bandwagon?

After a period of consolidation, banks are expanding their branch networks and competing for customers. A checking account typically is the basis for any new customer relationship. "A checking account is an integral part of the banking relationship," says Daniel Carretta, senior vice president of checking products at Bank of America.

"There has been a realization that once a consumer signs up for a checking account, the bank can cross-sell them other products and make money from them," McEldowney says.

Bank branches today sell investments, insurance, mortgages and other financial products.

In addition, banks offer free checking because they make money from related fees, consumer advocates say. Banks took note of the credit card industry, which long ago did away with annual fees and instead makes money from late fees, penalty interest rates, cash advance charges and the like, says Ed Mierzwinski, consumer program director for U.S. Public Interest Research Group.

What do free checking accounts have in common?

The federal Truth in Savings Act governs what can be called free checking. Under the law, free checking accounts cannot charge a recurring maintenance fee and cannot require a minimum balance to avoid a fee. They cannot charge a fee for excessive check writing. They cannot charge a per-check fee or fee for a deposit.

But they can require an initial amount to open the account.

Many banks also require you to sign up for direct deposit of a paycheck or Social Security check to qualify. The rules do not specifically address direct deposit. The Federal Reserve staff has said that accounts that require direct deposit should not be advertised as free. But because the law does not allow for civil liabilities, there is little risk for banks who ignore the directive.

What are some of the fees to watch out for?

Just because there is no monthly maintenance fee doesn't mean you won't get hit with other charges. When you sign up for an account, ask for a list of fees.

Some banks charge a fee if you close an account soon after opening it or if the account is dormant for long periods. There may be a fee for calling to inquire about your balance or for getting copies of canceled checks. Some banks charge a monthly fee to have a debit card, while others have added debit card transaction fees.

At most banks you can expect to pay for extra services. If you need to notarize a document, get traveler's checks or get a money order, you'll probably pay a fee.

There are different ways you can be penalized for bounced checks. Among them:

•An NFS fee. You write a check that bounces. Your bank returns the check and charges you a fee for having insufficient funds.

•A return of deposited item fee. You deposit a check from another person and it bounces. You get charged a fee from your bank.

•A stop-payment order. You ask the bank to withdraw a check that you've written.

•Line of credit. If you bounce a check, your bank agrees to cover it by extending credit. There will be an interest charge and sometimes a transfer fee.

•Deposit transfer. You bounce a check and the bank covers it by transferring funds from your savings account. There will be a fee.

Most people don't intentionally bounce a check. But 87% of consumers don't reconcile their checking accounts, and so it's bound to happen occasionally, says Michael Moebs, chairman of Moebs Services, an economic research firm. When it does, most people are happy to pay a fee to avoid the hassle.

But consumer advocates say that some banks are encouraging consumers to deliberately overdraw their accounts, offering to cover overdrafts up to a set amount.

Bounce protection also lets consumers make debit card charges and ATM withdrawals that exceed the money in their accounts. And at some banks, the available balance that is displayed on an ATM receipt is misleading because the bounce protection limits have been added. So consumers may unwittingly incur fees.

Bounce protection is costly. Banks generally charge $20 to $35 per transaction. And some add a fee of $2 to $5 a day until the account has a positive balance. So a $100 advance for 30 days would be the equivalent of paying at least a 243% annual percentage rate, according to the National Consumer Law Center and the Consumer Federation of America.

"Our position is that it's an expensive form of credit," says Chi Chi Wu, an NCLC staff attorney. But the Federal Reserve recently issued a proposed rule that says such products would be not be considered a loan and instead would be regulated under Truth in Savings.

Bounce protection should not be confused with traditional overdraft protection that comes with a line of credit. That is considered a loan and is more tightly regulated.

The good news is that banks are competing for your business. By shopping around, you can find free checking accounts that include other free services. For example, Bank of America, Chase, Bank of New York and Washington Mutual offer free online banking and bill payment with their free checking accounts. While BofA and Chase require direct deposit, Bank of New York pays customers a $20 bonus if they sign up for it.

7/6/04 Wall St. J. A1
2004 WL-WSJ 56933865

The Wall Street Journal

Tuesday, July 6, 2004

Fine Print

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Growing Profit Source for Banks: Fees From Riskiest Card Holders

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Late Payers and Big Borrowers Are Becoming Cash Cows; How Interest Rates Balloon

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A Nasty Surprise on Page 54

By Mitchell Pacelle

When Jennifer Reid opened her credit-card statement in April, she discovered how expensive it was to make full use of her credit. The 42-year-old X-ray technologist had run through $10,000 of her $12,000 credit line on an MBNA Corp. card. In April, her annual interest rate abruptly jumped to 24.98%, up from 19.98% the prior month and far above the initial single-digit rate.

"I don't understand," she recalls telling an MBNA customer-service representative on the phone, complaining that she hadn't been late with a single payment. The representative agreed but pointed out that she had run up more than $5,000 of debt on two other cards. Also, she was making only slightly more than the minimum suggested monthly payments on her MBNA card. He said the company now saw her as a credit risk and feared it would take her forever to pay off her debts. "Isn't that what you want consumers to do?" she snapped back.

That's a question more financially strapped bank customers are asking these days. For consumers who pay off their credit-card balances each month, shop aggressively for interest rates as low as 0%, and take advantage of generous credit-card rewards programs, consumer credit has never been cheaper. But for others like Ms. Reid, who went into debt so she could move to a better job in Florida from South Carolina, the trend is in the other direction.

Card users, consumer advocates and some industry experts complain that banks are attempting to squeeze more and more revenue from consumers struggling to make ends meet. Instead of cutting these people off as bad credit risks, banks are letting them spend -- and then hitting them with larger and larger penalties for running up their credit, going over their credit limits, paying late and getting cash advances from their credit cards. The fees are also piling up for bounced checks and overdrawn accounts.

"People think they are being swindled," says industry consultant Duncan MacDonald, formerly a lawyer for the credit-card division of Citigroup Inc. Penalty fees aren't new, but they are becoming more important to the industry's bottom line and are being borne by the people who can least afford to pay them, he contends.

Cardweb.com, a consulting group that tracks the card industry, says credit-card fees, including those from retailers, rose to 33.4% of total credit-card revenue in 2003. That was up from 27.9% in 2000 and just 16.1% in 1996. The average monthly late fee hit $32.01 in May, up from $30.29 a year earlier and $13.30 in May 1996, the company said. In 2003, the credit-card industry reaped $11.7 billion from penalty fees, up 9% from $10.7 billion a year earlier, according to Robert Hammer, an industry consultant.

"As competitive pressure builds on the front-end pricing, it has pushed a lot of the profit streams to the back end of the card -- to these fees," says Robert McKinley, chief executive of CardWeb.com. Over the past two years, he said, "it's become much more aggressive." At industry conferences, he notes, talk often turns to "what the market will bear."

Banks say that penalties and fees are a necessary component of new models for pricing financial services. Gone are the days when banks collected hefty annual fees on all credit cards and charged fat interest rates to all customers. Now, the banks say, they must rely on risk-based pricing models under which customers with the shakiest finances pay higher rates and more fees.

"We look at teaser rates as an area that we have to be competitive in," said Richard Srednicki, a top credit-card executive at J.P. Morgan Chase & Co., during a conference call with investors last fall. He said the bank tries to "mix and match how we compete" on interest rates and fees "in order to make the kinds of returns that we're looking for."

An MBNA spokesman declined to comment on Ms. Reid's experience but noted that one of the most important considerations in setting a credit card's interest rate is "how a customer manages his account." If a customer's financial circumstances change for the worse, he said, the bank has to raise the rate "as a way of balancing that greater risk."

Such variable pricing has been embraced in recent years by airlines, mortgage lenders and others. What raises the hackles of bank customers, however, is that many don't discover the rate changes and penalty fees until they have already been hit with them. Those who complain are directed to disclosure statements that most consumers never read. These disclosures, says Mr. MacDonald, have ballooned from little more than a page 20 years ago to 30 pages or more of small print today.

Federal Comptroller of the Currency John D. Hawke Jr., one of the nation's top bank regulators, warned bankers at a conference last fall that "no retail banking activity generates more consumer complaints" than credit-card practices, "and where there are persistent and serious complaints, there is a fertile seedbed for legislation."

Mr. Hawke raised the case in which a customer presents a credit card at the cash register and the bank approves the transaction even though it knows that the purchase will push the customer over his credit limit. "If, as a practical matter, the line has been increased, is it unfair or deceptive for the creditor to continue to impose an overline 'penalty'?" he asked.

Until the early 1990s, most banks offered one main credit-card product. It typically carried an annual interest rate of about 18% and an annual fee of $25. Cardholders who paid late or strayed over their credit limit were charged modest fees. Profits from good customers covered losses from those who defaulted.

Then card issuers, in an effort to grab market share, began scrapping annual fees and vying to offer the lowest annual interest rates. They junked simple pricing models in favor of complex ones they say were tailored to cardholders' risk and behavior. Eager to sustain growth in a market approaching saturation, they began offering more cards to consumers with spotty credit.

By the late 1990s, banks were attracting consumers with low introductory rates, then subjecting some of them to a myriad of "risk-related fees," such as late fees and over-limit fees. A 2001 survey by the Federal Reserve showed that 30% of general-purpose credit-card holders had paid a late fee in the prior year.

Like Ms. Reid, more customers are seeing red when they discover the penalties on bank statements. Credit-card late-payment charges have risen to as high as $39 for some customers of Bank of America Corp., MBNA, and Providian Financial Corp., and fewer banks grant grace periods. Cardholders who exceed their credit limits face "over limit" fees as high as $39 a month.

In a survey of 140 credit cards this year, the advocacy group Consumer Action said 85% of the banks make it a practice to raise interest rates for customers who pay late -- often after a single late payment. Nearly half raise rates if they find out that a customer is in arrears with another creditor.

Since the banks disclose the fees in the fine print of their mailings, they have had little to fear from regulators and the courts. Consumer lawyers have lost a string of lawsuits challenging such practices. A little-noticed April ruling by the U.S. Supreme Court said credit-card companies don't have to include various penalty fees when they calculate the "finance charge" listed on a customer's monthly statement.

And bank regulators have been reluctant to promulgate new regulations. The Federal Reserve Board and four other regulatory groups recently disappointed consumer groups by failing to take a strong stand against "bounce protection" plans. These programs allow customers to overdraw their checking accounts in exchange for a fee each time they do it that can exceed $30. Critics call bounce protection little more than an expensive short-term loan since the overdrawn amount must be covered quickly.

Banks are charging as much as $32 per transaction when customers write a check or make a debit-card purchase without enough money in their accounts to cover the payment. Five years ago, $20 was more typical.

Alicia Flynn, who works in the billing department of a San Francisco hospital, used her Bank of America debit card on Jan. 28 of last year to make four small purchases, including a $2.27 cup of cafeteria soup. But several checks she and her husband had written also hit their account that day. When the bank tallied up the account later that day, it posted some of the checks before the debit-card charges, which had already been cleared at the register. That left the account overdrawn by $40.17. The Flynns were hit with separate $28 "insufficient fund" fees for two checks and all four debit-card transactions, hitting the maximum daily penalty of $140.

"It is somewhat like having a meter maid put five parking citations on your car for one parking violation," complains Mrs. Flynn's husband, Richard Flynn.

Mr. Flynn later learned that subtracting the biggest check first is standard procedure for Bank of America. In response to his complaint letter, a Bank of America representative enclosed a copy of a booklet she said every customer received when opening an account, and directed Mr. Flynn to page 54. It describes the policy and warns customers that "this method may result in additional overdraft fees."

A bank spokesman maintains that most customers want large checks to clear first because they tend to be for important items such as a rent payment. The $28 penalty fee, he said, is intended to "make sure that customers don't run their balances so close to zero," and is priced "to assign a cost of the risk it exposes the bank to."

Banking fees have long been a subject of legislation and litigation. One decision that has helped banks boost their penalty fees came in 1996, when the Supreme Court said states can't regulate such charges if they're levied by out-of-state banks.

(MORE)

The 1968 federal Truth in Lending Act was enacted to promote "awareness of credit costs on the part of consumers." It required "meaningful disclosure of credit terms" but didn't say anything specifically about credit-card fees. In the act, Congress directed the Federal Reserve Board to enact regulations. The Fed responded with Regulation Z, which requires credit-card issuers to disclose the cost of credit as a dollar amount, known as the "finance charge," and as an annual percentage rate. Fees for late payments and the like were not to be included in either calculation.

As a college student in the mid-1990s, Sharon R. Pfennig signed up for a card with a $2,000 credit limit. In 1997, buying clothing at a mall, she blew past her credit limit by $192. Household International Inc. began tacking on a $20 over-limit fee each month. Ms. Pfennig stopped using the card and continued to make her $45 minimum monthly payments. But the monthly penalty fee, coupled with the $35 to $40 she paid each month as interest on her debt, caused her balance to continue climbing. Her monthly over-limit fee then jumped to $29, and her fee total eventually ballooned to about $700.

In 1999, Ms. Pfennig filed a lawsuit in Ohio federal court against Household and MBNA, which had purchased the Household credit-card portfolio that contained her account. The lawsuit accused Household of misrepresenting the true cost of credit by not including over-limit fees in its disclosed "finance charges" on her monthly statement. The suit said this practice, which adhered to Regulation Z, nonetheless violated the Truth in Lending Act.

An appeals court agreed with Ms. Pfennig but the Supreme Court, ruling April 21 of this year, sided with the credit-card company. It said Regulation Z is reasonable and companies that follow it are in compliance with the law.

"I'm getting completely disheartened," said Sandusky, Ohio, consumer lawyer Sylvia Goldsmith, who represented Ms. Pfennig before the high court.

In the Pfennig case, MBNA and Household defended the treatment of fees under current disclosure regulations as simpler for both consumers and banks. "This bright-line rule ensures that creditors disclose over-limit fees in an understandable and consistent manner, permitting consumers to compare such fees across time and across credit-card issuers in a meaningful way," the two banks noted in a Supreme Court brief.

For now, the only way for consumers to know what they're getting into is to plow through the disclosure materials they receive when they open bank accounts or get new credit cards. Most never do -- as Mr. Flynn, the disgruntled Bank of America customer, admits. "We just opened a simple bank account, and they gave us a 78-page booklet, small print, and they expect us to read and understand it," he complains.

Ms. Reid, the Florida cardholder, says she is far more careful now about studying her credit-card mail. "I read every single solitary word now. I hope one of these days I won't have to have a credit card at all."

---- INDEX REFERENCES ----

COMPANY: Bank of America Corp (NCNBCO)

NEWS SUBJECT: (Consumer Credit/Expenditure/Savings (E1106); Pricing (C314); Consumer Affairs (GCON); Personal Finance (GPERSF); Page-One Story (NPAG); Marketing (C31); Corporate/Industrial News (CCAT); Economic Performance (E11); Economic News (ECAT); Political/General News (GCAT); Living/Lifestyle (GLIFE); Content Types (NCAT); Editor's Choice - Banking/Credit (REQRBC); Editor's Choice - Industry Trends/Analysis (REQR))

INDUSTRY: (Credit Types/Services (I81501); Credit Cards (I8150108); Banking (I814); Commercial Banking (I81402); Banking/Credit (IBNK))

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7/6/04 WSJ A1
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Breaking News Archives

Breaking News Archives

Saturday 07/03/2004

11:37 AM

More 'Suspicious' FOM Mail Sent to Wisconsin CUs

MILWAUKEE — At least 17 Wisconsin credit unions have received suspicious "shopper" inquiries that CUNA charges the banking lobby is using to track evidence for illegal field of membership abuses.

In a message apparently sent last week to all state Leagues through CUNA, the Wisconsin Credit Union League said the communications to the 17 CUs came in the form of letters, postcards and phone calls and are similar to what "credit unions in other states have been getting."

The WIsconsin League noted that CUNA has been tracking "suspicious inquiries" sent by bankers that are designed to put "credit unions to the test" on FOM eligibility rules.

The League said also that many of the inquiries were identical and contained a $100 check to open an account. The Wisconsin League flier noted that CUs in Vermont and Michigan had received similar inquires about membership application.

The League asked its members to inform them of such inquiries which will be forwarded on to CUNA. - *jrubenscut@aol.com*

Friday 07/02/2004

03:21 PM

Newtek Closes Public Offering of Six Million Shares, Expects $20 Million in Net Proceeds

NEW YORK — Newtek Business Services, Inc. (Nasdaq: NKBS) a provider of business services and financial products to the small business market, today announced it has closed its previously announced public offering of 6,000,000 shares of its common stock at a public offering price of $3.60 per share.

Newtek expects to realize net proceeds, after payment of underwriters' discounts and commissions but before estimated offering expenses, of approximately $20 million, according to a company statement. After giving effect to the sale of its stock in this offering, Newtek will have approximately 33.4 million shares of common stock outstanding.

Newtek Small Business Finance is one of several strategic alliances formed with CUNA to assist credit unions with small business services. - *msamaad@cutimes.com*

To earn NASCUS accreditation, an agency must meet or exceed a score of 75% in each of six areas: Department Administration and Finance; Personnel; Training; Examination; Supervision; and Legislation. The qualifications and review team findings are audited by an Accreditation Audit Working Group and the NASCUS Performance Standards Committee which makes the final recommendation for approval to the NASCSU Board.

NASCUS accredited states supervise nearly 80% of all state-chartered credit union assets. - *ebarr@cutimes.com*

10:55 AM

Overdraft Protection at the ATM is Pushing it, says CEO

CUDAHY, Wis. — Milwaukee Metropolitan CU President/CEO Rich Koeing truly believes in the value overdraft protection brings members, but when you start extending it to the ATM, it smacks of abuse, he says.

Koeing, whose CU has been offering overdraft protection since last year, tells stories of elderly members who have avoided bouncing checks for prescription drugs because of the service. Those are the good stories, and there are many. But when it comes to extending the service beyond checks, it's not about the members any more.

He says the major difference between a check and the ATM is that checks are often for vital bills like mortgage payments, while at the ATM it's all about cash. "Then we're talking entertainment dollars in a lot of cases," said Koeing.

Koeing said his CU makes about $100,000 a month on overdraft fees which has helped it keep its rates about 25 basis points better than its market competitors. - *pgentile@cutimes.com*

Thursday 07/01/2004

04:18 PM

FAA Employee CU is Latest Name Game Player

OKLAHOMA CITY, Okla. — Can changing just one word in a credit union's name help make a brand more inclusive?

FAA Employees Credit Union is counting on it as the $260 million credit union is now FAA Credit Union.

According to officials, the streamlined name enhances the credit union's identity as a Community field of membership financial institution while reflecting its ongoing tradition of service to the employees of the Federal Aviation Administration (FAA).

"We have served several generations of FAA members and their families, " said President Steve Rasmussen. "As their children and grandchildren have become members, our membership family has extended beyond FAA employees and their immediate families. Today we serve generations of Oklahomans who may not have ties to the FAA. Our new name more accurately reflects that expanded membership." - *mdigiovanni@cutimes.com*

02:30 PM

Johnson Shakes Things Up at NCUA

Overdraft protection comes at high price

Yet many consumers like the convenience

By JONATHAN D. EPSTEIN
News Business Reporter
6/20/2004

Consumer activists and bank regulators are taking aim at a new service that critics say can take advantage of consumers' tendency to err and overdraw their checking accounts.

A growing number of mostly small banks and credit unions have introduced a service to automatically cover overdrafts up to a few hundred dollars, whether from writing a check, taking out money at an ATM or using a debit card.

The institutions say it helps consumers, but consumer experts warn that the new overdraft protection comes at a high cost and can be deceptive. They say banks make tens of millions of dollars a year in revenues.

Under these plans, financial institutions charge a fee equal to the amount they'd require for a bad check, generally $20 to $35 per item, but checks will no longer bounce. While the consumers are spared the additional $25 or $35 a merchant might charge for that same bounced check, they must repay the balance - usually within 30 days - and may face other bank fees or interest until then.

Locally, forms of such plans are offered by First Niagara Bank, Evans National Bank, Wyoming County Bank, Greater Buffalo Savings Bank, and Western Division Credit Union. Fees range from $15 at Greater Buffalo for overdrafts up to $400 to $29 at Evans for up to $300.

These new programs are different from traditional overdraft plans. Under those plans, consumers sign up and their checking accounts are linked to savings accounts or credit cards so that if they write too big a check, they are covered by their own funds. Generally, a service fee of $5 to $10 is charged.

They are also different from preapproved overdraft lines of credit. Under this system, when a consumer writes a check bigger than the account balance, funds are transferred from the line of credit and interest charges accumulate at traditional annual interest rates of 18 percent, plus a $20 annual fee.

The new plans are being aggressively pushed on banks by several consulting firms, who tout the potential for banks to sign up more than 90 percent of their customers and as much as triple their overdraft fee income. The consultants even team up with industry trade groups to promote the service. An estimated 2,000 out of more than 18,000 banks, thrifts and credit unions nationwide now offer such programs, according to consulting firm John M. Floyd & Associates of Houston.

Bankers and consultants say the "bounce protection" plans are a service and benefit for consumers, who won't incur fees from merchants and won't be embarrassed. And they say customers are delighted.

But consumer advocates contend that the new service - which they call bounced check loans - can result in fees equivalent to an annual interest rate of a few hundred percent or even as high as 1,000 percent. They've also denounced the marketing by some banks, whom they accuse of encouraging customers to overdraw their account and incur fees with claims such as "Access your paycheck before you have it!"

And they criticize some banks - like Evans - for including the overdraft line in a customer's total balance at an ATM machine, leading customers to think they have more money in their accounts than they do.

In response, bank regulators started looking more closely at such services to determine whether banks should offer them or under what circumstances. More than 54 different consumer groups called for stricter regulation of the practice and more disclosures.

Earlier this month, national bank regulators said financial institutions could continue offering the new programs. But the regulators also issued guidelines that would require banks and credit unions to do a better job informing consumers about risks and costs.

The guidelines call for "clear disclosures and explanations to consumers." They also advise financial institutions not to market the program in ways that would encourage overdrafts, to inform consumers of alternative overdraft services, to let them "opt out" of overdraft programs and to "clearly disclose the dollar amount of the overdraft protection fees . . . or other fees that may apply."

The public has 60 days to comment on the guidelines.

The new services are the latest effort by banks to juice up their bottom line through growing fees, which they see as more reliable than interest on loans.

Locally, Greater Buffalo Savings began offering its "bounce-proof checking" product last summer, and has 1,200 customers signed up. Customers can voluntarily register for the service six months after opening a checking account, said President and Chief Executive Andrew W. Dorn Jr.

The service does not bring in a lot of fees for the thrift or the consulting firm that shares in the revenues. "We didn't put it in to try to make money. We saw it as a convenience for our customers," he said.

At Evans, which instituted the plan in early 2003, customers aren't eligible for the first 90 days of their account, but are then automatically enrolled. They receive a letter about the program, but the bank does no other marketing.

The program has boosted fees for the bank, which wouldn't disclose specifics. But officials retain flexibility to waive fees, and will shut off access if a customer is overdrawing too much.

"We tried to walk a fine line," said Evans Chief Financial Officer Mark Debacker. "We don't want to take advantage of customers."

Regulators' new guidelines have already prompted Evans to re-evaluate its program to make sure the bank is complying. "We don't want to mislead the customer," Debacker said.

Among credit unions, Western Division plans to launch "Courtesy Pay" beginning July 1, but will not market it. The fee is $25 for up to $200. Enrollment is automatic with direct-deposit, or after 90 days.

Financial Institutions of Warsaw, parent of Wyoming County Bank and three others, introduced PayAdvantage in August 2001, with a $25 fee for as much as $1,000, depending on the bank and the account. The company doesn't market it but has seen "an uptick in fees," said spokesman Matthew Murtha.

"Our customers like it. They appreciate the fact that we're not returning checks," he said.

First Niagara, which unrolled its program in October 2001, charges $25 for up to $700, depending on the account. It signs customers up unless they say no. But it will waive fees for those who say they weren't aware of it later and allow them to drop out.

"It's a good program," said CEO Paul J. Kolkmeyer. "It's unfortunate that some people are giving it a bad name by promoting it and saying you can write as many checks as you want."

The Associated Press contributed to this report.

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With Fed Electing Not to Treat Overdraft Protection as Loans, Door Wide Open for Continued Growth in CU Industry; Consumer Groups ask at What Cost?

By PAUL GENTILE
CU Times Editor June 23, 2004

WASHINGTON ‹ Consumer groups don¹t like it, but for now at least the Fed isn¹t going to regulate overdraft protection as a lending product and vendors that sell the service say that¹s good not only for their business and consumers, but credit unions too.

If the Fed had moved to bring overdraft protection under Truth in Lending it would have called for an overdraft protection fee to be broken out into an Annual Percentage Rate. That would have all but killed the service for credit unions, according to John Floyd, president/CEO of John M. Floyd and Associates, one of the vendors marketing the service to credit unions.

³It would basically tell the credit unions they are out of the business because they can¹t charge more than 18% interest (usury laws),² said Floyd. If you broke down an overdraft fee into an APR it would likely be in triple digits. This would have devastated many CUs who depend on fee income in this day of tight margins, said Floyd. Not to mention overdraft protection, when done right, helps consumers, he said.

³The popularity of the program proves it. **At first everyone was saying, Œgee our members won't like this, this is not good.¹ What they found is members love the program and it¹s good for them. The best thing for the member is for the check to be paid, because if you return the check they really do get hammered,²** said Floyd, who predicted that over the next two to three years almost all CUs will offer some sort of overdraft protection.

Bill Strunk, president/CEO of Strunk and Associates, says regulators can¹t afford to take away overdraft protection from financials. **³We¹re talking $100 billion they would be taking out of the banking system. They can¹t do that. You¹d be significantly hurting all the financial institutions in the United States. It constitutes about 50% of the total income for a lot of credit unions. There¹d be no money left to build branches, build capital,²** said Strunk.

Jean Ann Fox, Director of Consumer Protection for the Consumer Federation of America, believes the Fed is giving financial institutions an unfair advantage that ultimately hurts consumers. ³The bank is extending you money you have to pay back, and you pay a price for it. That¹s a loan. We think consumers should know what that price is. Pawn shops, payday lenders and used car lots have to do it. Everyone has to tell the consumer what credit costs. The Fed is singling out banks (and credit unions) for preferential treatment,² said Fox.

A representative from Financial Services Centers of America, Inc., an association which represents payday lenders, said it too is concerned about the uneven playing field and planned on submitting comments to that effect to the Fed to have the APR added.

Fox said the CFA is in favor of overdraft protection, but why not tell consumers they have it and what it costs? ³We think everybody should have overdraft protection. We¹ve been arguing for years that financial institutions need to serve the small loan needs of their own account holders. With these courtesy programs you don¹t even know you have it, you don¹t sign up for it, you don¹t know if you¹re overdraft is going to be covered and you don¹t know what it costs,² said Fox. ³Instead of providing a better alternative with more consumer protection, financials that have adopted this have done the payday lenders one worse.²

Joe Gillen, CEO of overdraft provider Pinnacle Financial Strategies, said assigning an APR would be difficult to do, and it doesn¹t warrant an APR. ³It¹s not a loan product. It never has been a loan product. How do you calculate interest? When you¹re doing a loan a consumer sits down and says ŒI want to borrow $300 over a period of time,¹ ² said Gillen. With overdraft, financials don¹t know if a consumer is going to make a deposit the next day, week or whatever to cover the check, so calculating an APR would be next to impossible, said Gillen.

Fox said complying with TILA wouldn¹t be as burdensome as the overdraft vendors make it out to be. ³It can be done through the open-ended consumer rules under TILA,² she said. Gillen said an open ended agreement would have to cover from the smallest to largest amount and shortest to longest timeframe, so it would vary wildly.

The problem vendors and financials have with including an APR, Fox said, is consumers may not be as willing to use overdraft if they see a rate attached to it. Some consumers might see that it would be cheaper to take a cash advance (typically 50%) off their credit card than use overdraft protection. ³One thing I¹m hearing is that if financial had to comply with truth in lending, consumers wouldn¹t use it as much,² said Fox. To that she basically said oh well. She said financials are making billions off the service and aren¹t¹ ready to put those dollars a trick. ³There¹s a huge bill being paid for the cash-strapped consumer here. If anyone deserves to know what credit is going to cost, it¹s them.²

Gillen said consumer groups some times don¹t give consumers enough credit. ³They act like consumer are uncapable offer it however.

What about the line of credit option? [3]That can be good for the member, but bad for the credit union. The cost of the processing and the increase in the overall loss ratio can exceed the income of line of credits,[2] said Floyd. And with line of credit comes TILA.

Another problem CFA has with overdraft protection is most don[1]t specifically define which overdrafts will be paid and which ones won[1]t. Most credit unions that offer the service have a pre-determined limit (typically between $500 to $700, according to Floyd).

Strunk said good programs use disclosures that clearly inform members the credit union may not pay their overdraft. [3]The credit union reserves the right to refuse it. If the account isn[1]t in good standing, they don[1]t have to continue to do it. That[1]s not encouraging members to write bad checks,[2] said Strunk.

Strunk said credit unions just have to be sure they are running a good program. [3]It[1]s a political football, a regulatory football the consumer advocate people are after. They[1]re creating some storms. We[1]re just weather ing the storm. If you do it the right way, there[1]s no problems.[2]

Floyd said it[1]s interesting that this issue is coming up now as banks have been doing this for years. He said most banks used the [3]mystery[2] approach. They would use a matrix like approach (not systematic) to decide which ones to pay and which ones not to pay. Now with regulators looking for more specific disclosures, those systems may be on their way out.

One more intriguing factor of the overdraft protection debate is Check 21. If and when Check 21 really does get image exchange moving, checks are going to clear a lot faster and thus financials stand to see even more overdrafts. *Credit Union Times* will cover this angle in an upcoming story.

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Santa Maria Times
Pulitzer Central Coast Newspapers

Take bounce out of banks

The Federal Reserve seems poised to give banks the right to offer customers what the industry refers to as "bounce protection." Not so many years ago, it was called "street money."

Here's how bounce protection works: A bank encourages customers to overdraw their checking accounts. In years past, the bank would not cash a check on an overdrawn account, and would penalize the customer with a overdraft fee.

But banking experts began to see the overdraft as a potential profit center, beyond the one-time penalty. Why not treat the overdraft as a loan, and charge the customer what amounts to interest?

Here's why not: banks are not required to tell the overdrafted customer how much interest they are paying. In fact, such disclosure is not typically part of the marketing strategy today's banks use to get their customers to sign up for bounce protection.

And the outcome can be brutal for customers. Banks can charge a fee of from $15 to $35 for the initial overdraft, then another daily fee until the deficiency is made up. For example, a $20 fee on a $100 overdraft, incurred twice a month, works to an annualized interest rate of 520 percent.

Even some "street money" charges from the old days of loan sharking weren't that steep.

The National Consumer Law Center, which campaigns for greater disclosure on bank practices, argues that bounce protection is a "deliberate, systematic attempt to hook consumers onto overdrafts as a form of high-cost credit."

According to a proposal now before the Federal Reserve, banks would not even have to follow basic truth-in-lending laws in making bounce protection offers.

Allowing banking practices to prey on the low-income and unsophisticated consumer is simply not right. At the very least, the Federal Reserve should require full disclosure on bounce protection programs.

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MONEY

FACING HIDDEN BANKING FEES **BANKS**' **INCOME FROM FEES THAT OFTEN** ARE BURIED IN FINE PRINT HAS SOARED IN RECENT YEARS.

Richard Burnett, Sentinel Staff Writer

From bank accounts and mortgages to credit cards and car loans, let the buyer beware: Financial fees are on the rise. And many are just waiting to blindside you. Sometimes they are buried in fine print, wrapped in complicated verbiage or lost amid stacks of documents, consumer groups say.

And while bankers claim they are rare, the so-called hidden fees of financial services have contributed to banks' double-digit growth in fee income in recent years.

That comes as no surprise to customers like Deanna Botts, who recalled paying a number of unexpected fees. One of the most annoying charges, she said, was for phoning the bank too many times.

"I just don't call them anymore," said the Oviedo resident.

"I found out they let us have a few calls free, then you get charged," Botts said. "A lot of times you don't know what they'll charge for. They'll slip something in with your statement, and you don't realize it right away."

Such episodes occur too often in the nation's financial-services industry, consumer advocates say. They wage a perpetual war with financial institutions over what and how information should be disclosed to customers.

Consumer groups constantly push for regulations that would cap fees and require better upfront disclosures. Bankers argue that the vast majority of institutions charge reasonable fees and provide clear disclosures: It's just that some consumers never read them. Besides, sometimes well-meaning legislative reforms can backfire by adding costs and inconvenience for customers, they say.

"You don't want to put in place any kind of restrictions on everyone to address the problems caused by a very small minority," said Rob Rowe, regulatory counsel for the Independent Community Banks of America, a trade group based in Minnesota. "In the long run, you end up hurting everyone."

Consumer advocates are not convinced. They claim that these hidden fees have actually become more prevalent in recent years. The reason? Low interest rates have put a squeeze on interest income, so banks have increasingly turned to fees to boost revenues.

As a result, many types of fees have emerged.

Among them: There are charges for talking to account representatives, using telephone banking, closing an account within 90 days of opening it and having a credit-card account, even if there is no balance.

Typical fees such as those for using out-of-network automated tellers and insufficient fund charges also continue to rise, according to Bankrate.com, a financial consumer research firm based in North Palm Beach.

Bankers argue, however, they have actually worked to minimize the rise in fees, despite the difficult economy of recent years. They have also created "free checking" accounts and other ways to make it simpler for customers to avoid fees, bankers said.

"The bottom line is that customers really have to take charge of their finances, read the material that comes with their accounts and know what fees are there and when they apply," said Susie Findell, a spokeswoman for SunTrust Bank in Central Florida.

Overall, banks reaped $31.8 billion in account-service fees in 2003, up 34 percent from three years before, the Federal Deposit Insurance Corp. reported. Most fee increases have outpaced inflation during that period, consumer analysts say.

"In any financial product you look at these days, more and more of a company's profits depend on fee income," said Lisa Lee Freeman, finance editor for Consumer Reports. "And sometimes, they are not disclosed openly at all. It's in the fine print."

One of the latest hot-button issues is the "bounce protection" fee.

Most banks offer overdraft coverage -- a safety net that usually costs about $10 per occurrence and helps the customer avoid transaction rejections and bad check fees from merchants.

But some banks have turned that practice into a short-term loan service, often with triple-digit interest rates, consumer experts say. It is a practice, they say, which particularly hits lowerincome people, often living paycheck to paycheck.

Here's how it works: Say a customer overdraws his account by $100. Some banks charge $20 or more to cover it, and $5 for each day it goes unpaid. Such fees translate to an annual percentage rate of 200 percent to 300 percent.

Bounce protection may also allow some customers to fall into a sort of overdraft hole.

For example, automated teller machines will not warn customers if a transaction overdraws their accounts. In some cases, ATMs even mislead customers about their available balance, giving them a figure that includes the amount of overdraft protection.

So it is possible that customers could use ATMs, debit cards or checks several times a day, unknowingly incurring overdraft fees each time.

The overdraft issue has drawn the ire of major consumer groups, who have urged federal banking regulators to restrict the fee practices and treat overdraft protection like the pay-day loan business.

"Banks always try to make this sound like it is consumer-friendly, that it will help customers with bounced checks and merchant fees," said Chi Chi Wu, a lawyer with the National Consumer Law Center, a nonprofit advocacy group based in Boston.

"But by the time the banks have slapped on all their fees, the customer is often paying more than they would without overdraft protection."

But regulators have been reluctant to intervene.

The Federal Reserve recently said banks can continue their overdraft protection business without regulatory interference. The Fed did express concerns about how some banks were marketing the service and advised financial institutions to provide customers with more upfront disclosures clearly spelling out how the fees work.

Bankers welcomed the ruling as a common sense approach ensuring the banks' ability to penalize customers who overdraw their accounts, while also addressing concerns about improper marketing of the practice.

"Perhaps a few banks aggressively marketed this service and didn't disclose the normal fees that apply," said Alan Rowe, president of First Commercial Bank of Florida in Orlando. "But I say that in past tense now, because I have not heard about anyone doing it any time recently."

Still, industry officials say banks could improve their communication to customers about overdraft protection fees. Among the possible actions:

ATMs could be re-programmed to alert customers when a withdrawal will trigger an overdraft fee. If customers ask for their available balance, the figure should not include the amount of overdraft coverage.

Fee disclosures could be removed from fine print and displayed more prominently. Fee charges could be clearly detailed in monthly statements.

Banks could avoid advertising promotions or marketing brochures encouraging the use of overdraft and masking the financial impact.

While there are still some technical issues about the ATM changes, many banks already are adopting better disclosures about fees in general, according to Rob Rowe, the lawyer for the community bankers' group.

"On your bank statement, you're going to see a better indication of what fees are being charged, not an advertisement brochure trying to get you to write a check that overdraws your account," Rowe said. "The information will be simpler, more uniform, and easier for consumers to opt-in or opt-out of whatever service is being offered."

Such changes would be welcomed, but consumer advocates remain skeptical.

"In so many instances, banks are just cleaning up at your expense and it's all perfectly legal," said Freeman, the Consumer Reports analyst. "The bottom line is you have to ask tough questions of your banker or whatever financial institution you're dealing with. Be aware of what they're charging. Do your homework and shop around."
TABULAR OR GRAPHIC MATERIAL SET FORTH IN THIS DOCUMENT IS NOT DISPLAYABLE

DRAWING: (face with small type) ILLUSTRATION BY SHAN STUMPF/ORLANDO SENTINEL BOX: FEES HEAD HIGHER Banks have depended on higher fees in recent years as low interest rates have squeezed revenues. Overall, banks collected $31.8 billion in account-service fees in 2003, up about 34 percent from three years earlier. The table shows how some fees have risen on average since 2000. . Fall 2000 Fall 2003 % Change ATM surcharge $1.33 $1.40 +5.3% Use of non-bank ATM $1.22 $1.30 +6.6% Insufficient funds $22.96 $25.80 +12.4% Minimum account balance to avoid monthly service fee*

'Bounce protection' can be costly for consumers

OVERDRAFT PLANS: Some overdraft protection plans result in fees equal to 240 percent annual interest.

BY EILEEN ALT POWELL
ASSOCIATED PRESS

NEW YORK - With so many things to juggle these days, it's easy for consumers to make a mistake and overdraw their checking accounts.

A growing number of banks and credit unions are telling their customers not to worry, that they'll cover the overdraft and even make good on excess withdrawals from ATM machines. But these new overdraft protection plans can come at a high cost, consumer experts warn.

Under these plans, financial institutions usually charge a fee equal to the amount they'd require for a bad check, generally $25 to $35 per item. While the consumers are spared the additional $25 or $35 a merchant might charge for that same bounced check, they generally face additional bank fees or interest on a daily basis until the overdraft is cleared.

These new programs are different from traditional overdraft plans that banks have offered for years. Under traditional plans, consumers signed up for the service and their checking accounts are linked to savings accounts or credit cards so that if they write too big a check, the overdraft is covered by their own funds. Generally, a small service fee of $5 to $10 is charged.

They also are different from preapproved overdraft lines of credit. Under this system, when a consumer writes a check bigger than the account balance, funds are transferred from the line of credit and interest charges accumulate.

Consumer advocates contend that the new service -- which they call bounced check loans -- can result in fees equivalent to an annual interest rate of 240 percent or more. They've called for federal regulation of the practice.

Earlier this month, national bank regulators said financial institutions could continue offering the new programs. But the regulators also issued guidelines that would require banks and credit unions to do a better job informing consumers about the risks and costs. The public has 60 days to comment before the guidelines are adopted.

Jean Ann Fox, director for consumer protection at the Consumer Federation of America in Washington, D.C., says the guidelines don't do enough to protect the unwary, and she urges consumers to be extremely cautious about triggering overdraft protection plans.

"Banks and credit unions charge a flat fee for an overdraft, regardless of how much money you've borrowed," Fox said. "Say you overdraw your bank account by $100, and the bank charges a $20 fee. If you pay it back after 30 days, that works out to an annual percentage rate of 243 percent. That's usury in some states."

Fox is also concerned that the bounced check protection can kick in if consumers overdraw accounts using their debit cards or taking cash from automated teller machines. In fact, some ATMs show not only what the consumer has on deposit, but also the permitted overdraft of $300 or $400, "which actually encourages some people to go for it," Fox said.

Banking on bounced checks

A Times Editorial
Published June 14, 2004

Whatever you call the predatory lending practices - payday loans, car-title loans, check-cashing loans - they have something in common. They use deceptive simplicity and punitive interest rates to prey on the desperate and unsophisticated. Now, the Federal Reserve is about to put its stamp of respectability on a similar practice, allowing banks to market lucrative overdraft protection plans without disclosing that they are little more than payday loans in disguise.

Commonly called "bounce protection," it works this way: A bank will encourage customers to overdraw their checking accounts or even to withdraw more cash from an ATM than is available. In return, the customers are charged relatively high fees until the account is back in balance. For example, an overdraft of $100 might incur a fee of $15 to $35 and possibly another daily fee until the shortage is corrected. The fees are the equivalent of exorbitant interest rates: a $20 fee on a $100 overdraft, if incurred every two weeks, would be the same as a 520 percent annual interest rate.

"Overdraft protection products are a deliberate, systematic attempt to hook consumers onto overdrafts as a form of high-cost credit," said Chi Chi Wu, attorney for National Consumer Law Center, which has argued for more disclosure by banks.

Four years ago, the Florida Legislature reformed state law regulating aggressive practices by storefront lenders by putting a cap on the amount of interest they could charge. Banks, on the other hand, will be able to collect bounce-protection fees without even declaring them loans, thanks to proposed rules by the Federal Reserve that say the practice is not subject to truth-in-lending laws.

Make no mistake, the fees are huge revenue generators. Washington Mutual charged customers more than $1-billion in overdraft fees last year, industry analysts told the New York Times.

A few banks are particularly aggressive in marketing the products, even displaying available balances at ATMs that exceed the actual amount in the account. So customers can receive additional money - essentially cash loans - yet the banks don't need to inform the borrowers of the interest rate being charged. Such plans are commonly marketed to lower-income customers and to those getting direct deposit of a Social Security or other government check. If the overdrawn amount is not repaid promptly, the banks deduct it from the next month's deposit. The banks are not required to explain to customers other ways to protect their accounts without incurring fees, such as linking their checking to a savings account.

The Federal Reserve, which regulates banks in addition to setting monetary policy, will make its final decision on bounce protection rules in the next couple of months. If it doesn't change its mind and require interest-rate disclosure, millions of vulnerable consumers will be getting a raw deal without even realizing it.

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The Wall Street Journal Sunday

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Tip of the Week: Avoid Costs For Cushion

By Sara Schaefer Munoz

Your bank's "bounce protection" sounds like a perfectly fine idea: It provides a cushion if you happen to overdraw your account. But this convenience comes at a price. So make sure to avoid hefty fees and don't use such plans for short-term loans.

A customer who overdraws an account by $100, for instance, would be charged a fee of at least $20, according to a study by the National Consumer Law Center. If the overdraft lasts 14 days, it's like being charged an annualized percentage rate of 541% for the period.

Also, bounce protection can disguise your bank balance. ATMs may show a balance of $375 -- with $100 in bounce protection included -- when the actual balance is $275. If you're not paying attention, you could easily withdraw more cash than you have and trigger a fee.

Overdraft plans recently drew the attention of federal bank regulators, who decided to let banks keep offering overdraft protection but proposed changes to curb misleading marketing of the programs.

Banking-industry representatives say they don't trick customers into overdrawing their accounts and that customers appreciate having protection against bounced checks.

What can consumers do? Ed Mierzwinski, a Washington, D.C.-based consumer advocate, suggests opting out of such programs and instead applying for a traditional line of credit that kicks in if the account is overdrawn. These typically have a much lower APR of about 18% to 20%, he says.

Bank customers should try to keep close tabs of their actual balances so they don't overdraw their accounts inadvertently. They also can file comments on the Federal Reserve's proposed guidelines at www.regulations.gov.

---- INDEX REFERENCES ----

NEWS SUBJECT: (Regulation/Government Policy (C13); Consumer Affairs (GCON); Personal Finance (GPERSF); News Agency Material (NNAM); Corporate/Industrial News (CCAT); Political/General News (GCAT); Living/Lifestyle (GLIFE); Content

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Business

What price free checking? Beware of slipping on banks' hidden charges

Teresa Dixon Murray; Plain Dealer Reporter

PAUL LACHINE NEWSART How much does free cost? When it comes to free checking accounts, the answer is a lot, sometimes.

Free checking accounts are virtually everywhere these days. All but one of Northeast Ohio's 10 largest banks offer the option. (Third Federal is the lone exception.)

Yet the percentage of people who pay fees has gone up; 59 percent of U.S. consumers paid fees in 2002, the latest year for which statistics are available, according to the American Bankers Association. That's up from 51 percent in 2001.

And service fees collected from deposit accounts nationally soared by 33 percent from 2000 to 2003, according to the Federal Deposit Insurance Corp.

What's going on?

Many banks now charge for things that used to be included in standard accounts, such as depositing rolled coins, requesting copies of statements or getting canceled checks back.

Many banks have created penalty fees for practices that once just weren't allowed, such as permitting ATM withdrawals or debit card purchases when there's not enough money in the account.

Fees have increased, as might be expected. But the pace has been significantly higher than inflation, averaging 10 percent a year for the last five years.

Consumers, in some cases, are being more carefree or lax getting money more frequently from ATMs other than at their own banks, or bouncing checks.

Some people who didn't have checking accounts in years past have opened them because of the attraction of "free." But these inexperienced, often low-income users are incurring fees, such as for using their debit cards or overdrawing their accounts.

Many banks locally and nationally started free accounts in the 1990s. The only catches, in most cases, were limits on transactions or a requirement that the customers set up electronic direct- deposit for their paychecks or other regular income. Most banks require direct deposits to ensure the account is used and to make the customer less likely to change banks.

The area's two largest banks, National City Corp. and KeyCorp, added free checking more recently, National City in late 2001 and Key in late 2002. The two combined hold about half of Greater Cleveland's deposits.

"Everybody seems to be advertising some form of free checking, but what is free checking, exactly? No one really knows," said banking analyst Craig Woker of Morningstar Inc., a Chicago investment research firm.

"Everyone loves to hear the word free and think they're getting something free. They're not," Woker said. "If the customers want to convince themselves it's free, they can." But consumers are generating revenue for the bank, one way or another, he said.

Banks don't lose money on free checking, bankers and analysts say. Shareholders, whether public or private, wouldn't stand for it. Banks offer free checking for one or more of these reasons:

To build relationships that could lead to other revenue-building products, such as mortgages, credit cards or investments.

To generate a base of deposit money that can be lent to other customers at a big profit.

To generate fee income.

New account booster

National City started offering free checking in some markets in 2000, and rolled it out in all markets by November 2001.

Like most banks, National City simply wanted to boost new accounts because a checking account is most people's first or primary bank relationship, said Tina Young, vice president of consumer product management. She added that many consumers, if they need a loan or credit card or other service, go first to the institution where they bank.

"We targeted a younger clientele but what we're seeing . . . is it speaks to all ages," Young said.

In the first year, the number of new accounts at National City jumped by 30 percent, she said.

Ohio Savings Bank in Cleveland was one of the pioneers of free checking, adding it way back in 1986. Bank officials realized early on that it was a good way to get customers in the door. "A checking account is the best core account to maintain a relationship," said Teresa Ferrari, marketing manager.

FirstMerit also started offering free checking in about 1996. Unlike some banks that have charged for things such as in-person deposits or excessive phone calls, FirstMerit has never imposed fees on those items.

"We don't charge anything to talk to people. That's a privilege," said spokesman Jacque Sir Louis. "The more time you have to talk with them, the more time we share, the more business we're ultimately going to get.

"Everybody is going to buy a car or purchase a house or have a savings account or have investments sometime. There's something beyond a check account for almost everybody."

Successful strategy

Key also has seen significant growth in the 11/2 years since it introduced its new free checking choices. Three of its six checking accounts are free. Key said its growth in total accounts has exceeded industry averages, but officials didn't provide figures.

Like the others, Key hopes to build relationships. But even with checking customers who don't turn into bigger customers, the bank isn't losing money processing checks and sending out statements, said Susan Potter, executive vice president of consumer product management.

Even if customers aren't required to keep minimum balances, the bank knows what balance they typically keep. Some of that money can be used as loans for other customers. "We don't need much to make money from the customer," Potter said.

Key officials prefer to generate revenue from balances, as opposed to customer fees, she said.

Woker of Morningstar said free, no-interest checking accounts are great for banks as a means of lending money. "They're borrowing at zero percent and lending it out at 7 percent or whatever. That's a good business model. . . . And it's a very profitable enterprise."

Banking analyst Fred Cummings of KeyBanc Capital Markets in Cleveland agreed. Besides building relationships, he said, "the critical piece of free checking is bringing in deposit dollars."

Bait and switch?

Beyond the other benefits of checking accounts, banks are collecting much more in fees.

They collected $31.7 billion in service charges on deposit accounts last year. That's a 7 percent increase from 2002, and a 20 percent increase from 2001.

Non-interest income -- which includes fees from deposit accounts - - is becoming more important to the bottom line of banks, according to the FDIC. Banks relied on non-interest income for about 30 percent of revenue in 1990. As of 2001, even with mortgage refinance activity skyrocketing, non-interest income made up nearly 45 percent of revenues.

Some consumer advocates call free checking accounts a bait-and- switch.

"You can say it's free as long as there's no monthly fee," said Chi Chi Wu of the National Consumer Law Center in Boston. "But you can have other fees."

Wu said banks have concocted fees, such as charging for in- person deposits, not using an account enough, writing a postdated check, closing an account or keeping a negative balance for more than a few days.

The U.S. Public Interest Research Group in Washington says in a recent report that "banks hide fee increases by unbundling services formerly included" in accounts that used to carry monthly maintenance fees. Two big ones cited: Getting canceled checks back and using ATM cards.

A study released in February by the American Bankers Association, the industry's trade group, says the No. 1 reason banks are offering free checking is to generate a base for fee income, particularly overdraft fees.

"There was a time when free checking seemed ready to go the way of most passbooks," the report says. "Banks, desperate to increase fee income, were told by the most popular consultants to begin charging for everything short of the water in the lobby's water cooler. Well, like wide ties, things come back, and so it appears with free checking."

Banks, in part, "are using the checking account as an entree to interest- and fee-based services, specifically, three variations of overdraft services," the report says.

More money in overdraft

It's the overdraft phenomenon that rankles consumer advocates like Wu.

A customer can write one check that drains her account and get slapped with a $35 overdraft fee, plus $5 a day for every day the account is in the red. If it takes five days to realize the problem or get a notice by mail, that's $60 in fees.

Tracy Mills of the American Bankers Association said that consumers have a responsibility to balance their checkbook and keep track of their transactions. While a shocking portion of the population doesn't balance checkbooks or look at statements reportedly more than 40 percent, according to some surveys that's not the banking industry's fault, she said.

Mills, however, added that debit cards pose new challenges for irresponsible people. "Consumers have more ways to overdraw their accounts than ever before. I'm not sure whether every customer knows not every transaction is real time," meaning that money that's in the account today may not be available tomorrow.

Some consumers should simply stop using ATM or debit cards if they can't handle them, she said. "If you're on the Atkins diet, you're not going to go to the bread cart and load up. You should know whether you're at risk and not get a check card or automatic bill pay" or whatever poses a problem.

Cummings, the bank analyst, said banks adhere to strict requirements to inform customers about fees. "Maybe it's in the small print, but they do a good job of disclosing that," he said. "The question is, do [customers] understand what they're signing up for?"

Bankers note that if 59 percent of people are paying fees, that means 41 percent aren't, so it must not be too difficult to avoid them.

Woker said that consumers who find they're being charged fees for things they didn't expect such as transferring money by phone probably realize they just weren't paying attention to the list of fees. And they're not likely to change banks over a few fees. Only about 15 percent of consumers change banks every year. "You have to do a lot to lose a customer," he said.

Potter of Key said she expects banks to work even harder to keep free checking customers and to expand the relationship by boosting the benefits. Banks, for example, may start offering more loans with lower rates for checking customers or expand rebates for using accounts.

Sir Louis of FirstMerit noted that banks are starting to offer more free services, such as check-printing and online bill payment. He agreed that banks are gravitating toward better deals on products such as loans for existing customers.

Young of National City pointed out that more banks, including hers, are waiving maintenance fees on interest-bearing checking accounts as well, requiring modest balances such as $1,500.

"I think you'll see free accounts grow and evolve," she said. "I think it's here to stay."

To reach this Plain Dealer reporter: tmurray@plaind.com, 216-999- 4113

---- INDEX REFERENCES ----

COMPANY: Federal Deposit Insurance Corp (FDIC)

NEWS SUBJECT: (Marketing (C31); Corporate/Industrial News (CCAT))

INDUSTRY: (Banking (I814); Commercial Banking (I81402); Credit Types/Services (I81501); Banking/Credit (IBNK))

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OTHER INDEXING: BFN; BUSINESS/FINANCE/ECONOMY; American Bankers Association; Young, Tina; Potter, Susan; Wu, Chi Chi; National City Corp; FirstMerit Corp; NCC; FMER; 06-890-8854

EDITION: FINAL

Editorial: Untruth in Lending

New York Times
June 12, 2004

Banks can charge overdrawn customers steep fees for what amount to short-term loans. But they are not required to disclose the loans' effective interest rates, which can reach into the triple digits on an annualized basis. Through these fees, some 1,500 financial institutions prey on mostly low-income customers, and the Federal Reserve Board appears willing to condone the behavior by going along with the absurd fiction that this bounce protection is a service, not an extension of credit.

The Fed should change its tune. The banks should at least be made to disclose the ongoing costs of this form of credit, as required by the federal truth-in-lending law.

Whether banks call it bounce protection or overdraft privilege, they are lending money. In recent reports by the Fed and other federal banking regulators, the practice is even referred to as "credit" and "loans."

Common decency also requires that the fees be disclosed. The "protection" kicks in not only when a customer writes a check without having enough funds to cover it, but also when the customer uses an A.T.M. or a debit card to make a withdrawal or purchase for more than the funds on deposit. Rather than being obligated to give such a customer a chance to void the transaction and avoid a high fee, a bank can inform the customer by mail that the account has been overdrawn, and that delay can have potentially dire financial consequences.

By offering this account feature mainly to customers who have automatic deposits for paychecks or government benefits, the banks can implicitly encourage overspending without any risk of not being repaid. Truth-in-lending disclosures cover other lenders that, in effect, get away with usury, like tax-preparation firms that offer "refund anticipation loans" against customers' tax refunds and check-cashing outfits that offer "payday loans" against customers' next paychecks. The banks offering bounce protection may not want to admit that they engage in the same kind of short-term, high-cost lending, but they are, and the Fed should regulate them accordingly.

philly.com

Posted on Thu, Jun. 10, 2004

On Personal Finance | How an industry banks on sleaze

By Jeff Brown
Inquirer Columnist

Today, I'd like to give greedheads in the banking industry a big raspberry. And the Federal Reserve, too.

But first, a story.

After years of faithful service, my debit card started to show its age a while back. Sometimes it just didn't work, leaving me to plead to various cashiers that, "Gee, it worked fine over at Best Buy."

Savvy supermarket clerks wrapped my card in a plastic shopping bag when they ran it through the slot, like draping a shawl around its shoulders.

But when that didn't work anymore, I had no choice. I called the bank and a friendly woman agreed to mail a replacement. I cut my trusty sidekick in half and tossed it in the trash. So long, partner. Nothing personal.

Then odd things started to happen, as if the old card were getting even from the grave. At an E-ZPass lane, I got a "low-balance" warning. That account's supposed to refill automatically when it runs short. And my cell-phone bill was three times bigger than usual, though I never exceed my 300 "free" minutes.

Turns out these bills hadn't been paid. I'd given the vendors permission to draw automatically on my debit card; the new card had a different number, which messed things up.

Why do I tell this story?

To confess that I'm a nincompoop? Well, no. I mean, how much is the ordinary Joe supposed to know?

To blame someone? Like the bank woman who didn't warn that this could happen? No.

Low-fault accidents

Let's be reasonable. This was just one of those things.

These days, lots of us are swamped with accounts. I've got several credit cards, three checking accounts, two brokerage accounts and accounts at three mutual-fund companies.

I track everything on my computer and use it to pay the amazing number of bills I get. Fact is, I'm pretty well organized. And things still fall through the cracks.

Anyway, back to my point - the raspberries.

Most of us accept the fact that things go wrong and cut our brothers and sisters some slack. But some relish the chance to exploit our honest mistakes to make a buck.

That's what's involved in a weird little controversy with the banks. Over the last few years, they've discovered a bonanza charging outlandish fees for "overdraft privileges" and similar services.

You might pay $20 every time a bill payment exceeds your checking account balance, no matter how small the overdraft. Do it three times in a day of using a debit card and you'll be dunned $60.

Granted, this service can save you some bounced-check fees. But consumer groups correctly argue that overdraft protection is a loan and should, thus, be covered by federal rules requiring adequate disclosure and prohibiting excessive interest.

Legal but not right

The banks say no, it's a fee not an interest charge - and, therefore, not regulated as strictly as a loan. The Federal Reserve has agreed.

Maybe the banks and Fed are right, legally. But that doesn't make them *right*.

Banks enjoy lots of benefits courtesy of the public. Federal deposit insurance, for one, makes people feel safe using banks. In return, the banks ought to play fair.

Critics have a reasonable position: The banks should at least have to alert customers who are about to trigger overdraft fees, and the true cost - triple-digit annualized interest rates - should be disclosed.

Why would an honest business object? If it's a fair fee for a valuable service, banks would brag it's a bargain and plaster the numbers all over their ads.

Sadly, the Fed has proposed a wishy-washy disclosure rule that would leave most folks in the dark.

Every so often the banking industry turns to the dark side with practices such as redlining, sky-high credit-card rates, and predatory lending. Usurious overdraft fees are just the latest sleazy ploy.

Come on, folks, join civil society. You wouldn't want your children to act this way, would you?

Article published Jun 8, 2004

Federal Reserve Says Banks Can Continue Overdraft Plans

By ALEX BERENSON
New York Times

The Federal Reserve said yesterday that banks could continue controversial programs that consumer groups say function as high-cost loans used mainly by poor and middle-income people.

The programs enable, and in some cases encourage, customers with low balances to overdraw their checking accounts, allowing the banks to skirt credit laws and collect billions of dollars in fees. They are generally marketed as "overdraft privilege" or "bounce protection" and have grown very rapidly in the last five years, with at least 1,500 banks now offering them.

After studying the programs for more than a year, the Federal Reserve said in a statement that they should not be covered under truth-in-lending laws and did not propose any substantive restrictions on them. The Fed did propose some minor changes in the way the programs were marketed.

The Fed's stance was a defeat for consumer protection groups, which have campaigned against the programs.

The public now has 60 days to comment on the proposed changes, and then the Federal Reserve will consider issuing a final rule, a spokeswoman said.

Under the programs, the banks cover checks that would otherwise bounce, permitting people to overdraw their accounts with A.T.M. and debit cards. Although banks have always offered lines of credit to higher-income depositors with large balances, these programs are aimed at depositors with smaller balances and usually will not cover overdrafts of more than $500.

Each time a person overdraws his account, he is charged a fee of $15 to $35, and the overdraft must be paid back in a matter of days or weeks. Some programs also add a daily fee if the overdraft remains outstanding for more than a few days.

When the overdraft occurs as a result of a debit card or A.T.M. transaction, banks generally do not immediately inform their customers or give them the option to reverse a transaction. Instead, they mail a notice out. So a person who uses a debit card may incur several overdrafts before realizing what has happened.

The effective interest rates on the programs are enormous; someone who pays a $20 fee for a $100 overdraft that is outstanding for two weeks is paying the equivalent of an annual interest rate of 520 percent. Industry consultants who help banks create and market the programs have said that the fees are paid disproportionately by low- and moderate-income people.

One consultant has advised banks to maximize the fees by opening branches "in supermarkets, particularly supermarkets with a middle to down market and a family target market."

Banks and consultants say that they are offering a service that lets people avoid paying bounced-check fees to retailers. But many inside and outside the banking business say the programs, while extremely profitable for the banks, are a bad deal for consumers and amount to high-interest loans.

For the banking industry, the move to encourage overdrafts is a major shift. In the past, when consumer groups complained that bounced-check fees were excessive, banks generally responded that high fees motivated people to use their checking accounts responsibly. Now, with banks increasingly dependent on fees from consumers, overdrafts have become a source of profit.

Groups like the Consumer Federation of America, based in Washington, had encouraged the Federal Reserve to regulate the programs under truth-in-lending laws, which would have forced banks to disclose the effective interest rates they are charging and might have subjected them to usury laws. Banks said that the programs should not be considered lines of credit or subject to lending laws.

In its statement, the Federal Reserve agreed with the banks and said it had chosen to regulate the programs under "truth in savings" laws, which regulate the way that banks market and provide accounts.

The Fed said it found that in general the programs were not a problem as long as they were adequately disclosed.

Robert R. Davis, executive vice president of America's Community Banks, a lobbying group for 1,200 mainly smaller banks, said his group was pleased with the Fed's decision.

"Generally, what they are doing is consistent with the policy positions we've maintained," Mr. Davis said. "These programs administered as we feel they should be administered are not credit extensions, they're a service."

A spokesman for Washington Mutual, the largest financial institution to promote bounce protection programs, said the company was studying the Fed's proposal and had no comment. Washington Mutual charged customers more than $1 billion in overdraft fees last year, industry analysts estimate.

Consumer groups have proposed limiting the programs in several ways, like capping fees, barring banks from charging more than a certain number of fees each month or quarter, or forbidding the fees on very small overdrafts.

These groups have said that the programs can be especially pernicious when someone has a series of small overdrafts, like a $20 A.T.M. withdrawal followed by a $10 purchase at a convenience store, and is charged an overdraft fee each time. Consumers would not use their accounts that way if they knew they were being charged, the groups have argued.

The Federal Reserve proposal also does not bar banks from programming their A.T.M.'s to display a balance that includes both the amount available under the overdraft program and the consumer's own balance without distinguishing between the two. For example, some banks tell a person with $100 in his account that he has an "available balance" of $400, including a $300 overdraft program. They then charge an overdraft fee for any withdrawal of more than $100.

While the Fed found that the programs were not loans and should not be covered under credit laws, it also said in its statement that fees charged for the programs "relate to the institution's own provision of credit." A spokeswoman for the Federal Reserve said she could not explain why the Fed had referred to the fees that way.

6/1/04 Wall St. J. D2
2004 WL-WSJ 56930560

The Wall Street Journal

Tuesday, June 1, 2004

Personal Finance

Guidelines for Overdraft Fees Proposed by Bank Regulators

By Mitchell Pacelle

Federal bank regulators proposed guidelines Friday for the controversial "overdraft protection" plans offered by many banks. The regulators suggested how banks should run such programs so as not to mislead or deceive consumers.

The proposed guidance addresses an increasingly common practice by banks, under which they charge fees that some consumer watchdogs consider excessive to allow customers to overdraw their bank accounts.

Regulators acknowledged problems in the way some institutions administer such programs. "For example, some institutions have adopted marketing practices that appear to encourage consumers to overdraw their accounts," the regulators said.

In overdraft-protection programs, also called "bounce protection," banks cover bounced checks and overdrafts in the form of ATM withdrawals and debit-card purchases.

The regulatory proposal was issued jointly by the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corp., the Office of Thrift Supervision and the National Credit Union Administration.

The "best practices" proposed by the regulators include clear disclosure of the fees involved and when and how often they are levied.

Jean Ann Fox, director of consumer protection for the Consumer Federation of America, maintained that the proposed guidelines fall short of the remedies sought by many consumer advocates. They wouldn't, for example, subject the credit extended to consumers under such programs to federal lending laws, she said.

Nessa Feddis, senior federal counsel for the American Bankers Association, said the bank trade group agreed with regulators that disclosures should be clear, and that such programs shouldn't be extended to consumers automatically.

Federal regulators acknowledged that aspects of the way such programs are currently marketed, disclosed, and implemented could pose legal and "safety and soundness" issues for banks.

The proposal represents an interpretation of existing bank regulations, not a suggestion for new ones. After a 60-day comment period, the agencies could turn the proposal into a final rule.

5/28/04 Am. Banker 1
2004 WL 55826750

American Banker

Friday, May 28, 2004

Vol. 169, No. 103

Community Banking

Lending Rule Won't Apply To Overdraft

By LAURA K. THOMPSON

WASHINGTON -- The five federal banking, thrift, and credit union agencies are poised to propose new guidelines for one of the industry's hottest services: account overdraft protection. The move, led by the Federal Reserve Board and expected as early as today, is designed to quell criticism that the regulators are not doing enough to ensure consumers understand the cost of the service, which has exploded in popularity because it boosts noninterest income.

The expected remedy is likely to please bankers but infuriate critics who have been arguing overdraft protection should be subject to the Truth-in-Lending Act, which would require banks to disclose the annual percentage rate for the service and likely abide by state usury laws.

"It looks to me like the Federal Reserve is giving banks special treatment over consumers" who are "living paycheck to paycheck and can least afford to be surprised by a $20-$30 finance charge," said Jean Ann Fox, the director of consumer protection at the Consumer Federation of America.

Regulators are expected to classify this increasing popular service as an account fee rather than a short-term loan. Doing so would make overdraft protection subject to the Truth-in-Savings Act, which would require bankers to provide customers with written disclosures outlining the fees involved.

Sam Davis, the president of Strunk & Associates, a Houston company that sells its Overdraft Privilege package to nearly 1,000 banks, said some banks are not properly informing customers about the costs.

"Many institutions have not self-corrected themselves, and the majority of institutions have some work to do to be compliant with what the guidelines are expected to say," he said.

Estimates put the number of banks offering bounce protection -- or overdraft privilege -- near 3,000. A fee is charged for each overdrawn check or automated teller machine transaction, and the service nearly guarantees customers that they will never have insufficient funds.

"This is a service customers really want and are willing to pay for," said C.R. "Rusty" Cloutier, the chief executive officer of MidSouth Bank in Lafayette, La. The $455 millionasset bank is "very cautious" in offering the service; it sends customers regular letters disclosing the $22 fee and all other terms.

If overdraft protection were considered to a loan, it would no longer be profitable, because it would become much more complex and impossible to automate, Mr. Cloutier said.

In an interview Thursday, Ms. Fox of the Consumer Federation of America argued that banks are making short-term loans when they allow customers to spend more money than they have in their accounts -- whether by writing a check on an account with insufficient funds or by making an ATM withdrawal that exceeds the account's balance.

And the consumer advocates are not alone in their view of overdraft protection.

"I'm absolutely convinced the name of the game today at too many financial institutions is 'How do we exploit the consumer to make the maximum amount of fees,' " said former Rep. John J. LaFalce, now a lawyer with Harris Beach LLP in Buffalo, N.Y. "The regulators have been absolutely derelict in their responsibility in monitoring this and stopping this."

In a letter to Fed Chairman Alan Greenspan this week, Sen. Paul Sarbanes of Maryland, the ranking Democrat on the Senate Banking Committee, called overdraft protection "the banking industry's foray into the extension of high-cost, short-term credit" and "similar to payday lending."

Those who provide the service "should be required to provide the same level of disclosure" as payday lenders, Sen. Sarbanes wrote.

The Fed brought payday loans under Truth-in-Lending in March 2000, and consumer advocates began pressing for similar treatment of overdraft charges in 2001. In November 2002 the Fed invited public comment on the question. More than 300 letters poured in, most of them from bankers opposed to classifying overdraft fees as interest payments subject to Truth-in-Lending.

In March 2003 the Fed updated its guidance but said it needed more time to gather information on overdraft protection. Barbara A. Rehm contributed to this story.

photo, McQuade

---- INDEX REFERENCES ----

NEWS SUBJECT: (Regulation/Government Policy (C13); Corporate/Industrial News (CCAT))

INDUSTRY: (Banking (I814); Commercial Banking (I81402); Banking/Credit (IBNK))

REGION: (United States (USA); North American Countries (NAMZ))

Appendix E

E-MAIL TO THE OCC AGAINST CHARTERONE:

From: "Laurie Lawlor"
To: Customer.Assistance@occ.treas.gov
Subject: Request for consumer information on sustained overdraft or Bounce protection
Date: Wed, 17 Dec 2003 12:07:04 -0500
Hello,

I've tried to contact your Customer Assistance hotline, but received a message that no one could temporarily assist me (Hopefully this e-mail will reach someone).

I'm sure that you receive tons of complaints/questions about "sustained overdraft protection" or "bounce protection". I feel like my case has good standing to bring a suit, but I'd like some more information on how "bounce protection" is legally justified.

I have a banking account with CharterOne. I have not used this account since 6/23/03 when I had [approximately]$2.00 in the account. Below is my statement;

For Period: **07/01/2003-12/17/2003**

Date Number Description Type Debit Credit
12/16/2003 SUSTAINED OVERDRAFT FEE -$30.00
12/11/2003 SUSTAINED OVERDRAFT FEE -$30.00
12/06/2003 SUSTAINED OVERDRAFT FEE -$30.00
12/02/2003 SUSTAINED OVERDRAFT FEE -$30.00
11/26/2003 SUSTAINED OVERDRAFT FEE -$30.00
11/20/2003 MEGAREWARDS ANNUAL FEE FEE -$25.00

"MegaRewards" is a "fee" for my bank's debit card; the bank has charged this fee despite the fact that I have "Totally Free" checking. My bank claims that I opted for a MegaRewards card when I opened the account as did I opt for "Sustained Overdraft" protection. CharterONe has sent no written correspondence giving me notice that my account was overdrawn. (Other than this month's statement which I received two days ago)

I'm not saying that the Bank didn't "disclose" this information to me in a Pamphlet, but I am thinking that the terms are ambiguous (Totally free vs Debit card fees) "Disclosures" are really adhesion contracts And, unlike NSF funds, there is no separate consideration for these fees, although disguised as "Protection" it's actually Interest on an amount owed to the Bank. (Otherwise, "continued protection" would be established by an additional fee when that protection was used").
I understand that most of this is a contract dispute that you are unable to assist me with.

However, I would like some information on how these fees are justified as legal by the OCC...why these fees are NOT considered usury....Why the Bank does NOT have to provide notice AFTER the fee has been charged to my account. (Since I hadn't used the account in 6 months, and I wasn't aware that My totally free checking was being charged fees, I wasn't aware of this "sustained protection" until a collection agency started calling me);

Any assistance that you can provide me with, will be greatly appreciated.

Thanks for your help,

Laurie Lawlor
Springfield, MA 01118

E-MAIL TO CHARTERONE:

From: Laurie Lawlor
Sent: Sunday, January 04, 2004 1:27 PM
To: Baldwin, Susan
Cc:
Subject: Account #

Ms. Baldwin,

Please forgive the intrusiveness of this e-mail, but after being thoroughly dissatisfied in dealing with the assistant branch manager in resolving my banking dispute, I took the liberty of finding your e-mail address online. (I was given your name and number by the branch, but was unable to reach you via telephone).

I was contacted via telephone about negative charges to my account. I was surprised by this conversation because I had not used my Charter One account since late June 2003, so I did not anticipate any withdrawals. I asked the Charter One rep if she could hold for a moment while I checked my account online. Rudely, she told me that she did not want to hold and that I needed to contact the branch manager at Charter One. I checked my account and I was already in the negative in excess of $140.00. Immediately, I contacted the branch to question these charges, I was told that I would need to come into the branch and speak with Yolanda. I waited a couple of days before going to the bank because I was in the middle of law school exams.
After my last exam, on 12/18/03, I made a visit to the bank.
I had hoped to amicably resolve this dispute with the assistant branch manager. I explained that I was told upon signing up for this account that it was totally free checking, meaning no fees. Actually, the only reason I opened up an account with Charter One was because I was heavily solicited about the free checking. I was told that the MegaRewards fee was properly disclosed to me in my account rules and regulations as well as the sustained overdraft fee. I explained that I had a different interpretation of the Account Rules and Regulations and that I wanted to discuss this interpretation, through arbitration if necessary, before I paid CharterOne for these fees. I also requested that I stopped being charged for the fees while I was disputing the charges.

Yolanda told me there was really nothing she could do without your approval. She told me to contact her before the end of the business day to get your reply. I tried calling her back 6 times before the close of business (I was trying to get this resolved ASAP because I was flying to Atlanta for the holidays). As soon as I returned (and the bank was opened), I contacted Yolanda about resolving this dispute. She really wasn't sure what I was talking about (which, by the way, is really frustrating to a customer), so I asked for your name and number. I tried calling you but you were out on Friday.

Unfortunately, I have not been in direct contact with you sooner, but I ask you to resolve this dispute with me immediately because this account is subject to be charged off in three business days. Here's the gist of my dispute.

- Orally, I was promised zero fees to my checking account.
- The terms of the Account Rules and Regulations are ambiguous, and as such, should be construed against the drafter (Charter One).

Although the MegaRewards is disclosed as an annual membership fee, I fail to read where MegaRewards is explicitly explained as a separate fee and chargeable to a Totally Free Checking Account. Although the fee is listed as automatically waived for Privilege select and Energized Checking, this does NOT infer, in the negative, that the fee does apply to Totally Free Checking. The plain meaning of the terms "totally free" imply no fees, and thus it is reasonably to interpret the language of the MegaRewards disclosure as NOT to apply to Totally Free Checking.

- Although the Account Rules and Regulations requires me to resolve disputes through arbitration, Charter One has no restraints on continuing to charge me sustained overdraft fees while I'm in arbitration, and has an open-ended right to continue to charge me these fees at will, constituting an unconscionable and adhesion based contract.
- Although the sustained overdraft fees are legally allowed under Regulation Z, I can challenge the current "loophole" in good faith (good faith is evidenced by it's currently being considered by the Federal Reserve).

I'm not purporting that I'm right in my interpretation of the Account Rules and Regulations or that I would win in arbitration/court on these grounds. But, I wanted to be heard on these grounds, and my voice fell on the deaf ears of the CharterOne assistant branch manager and the CharterOne reps who are now bombarding me with phone calls akin to the most insistent telemarketers. That a bank would threaten a customer's credit without a good faith effort to resolve the dispute is horrific. Sure, you've sent me letters (AFTER I spoke with the branch manager) and phone calls (that directed me to the branch manager), but what good are these efforts if I can't speak to someone who will listen to my complaint? My credit is my reputation...that Charter One would tarnish it without trying to settle the dispute with a customer is unforgivable. I do not wish to have to extend the same courtesy to Charter One.

Laurie Lawlor
Customer
Acct #:

E-MAIL FROM CHARTERONE:

Baldwin, Susan
<sbaldwin@CharterOneBank.com>

Sent :	Monday, January 5, 2004 9:56 AM
To :	"Laurie Lawlor"
CC :	"branch0421" <branch0421@cofinc.com>
Subject :	RE: Account # 421-020240-3

Dear Ms.Lawlor,

I spoke with Yolanda at our Island Pond branch regarding your account and directed her to reverse all fees charged by Charter One Bank, close out your account today, and send you a check for the balance (which I believe is $2.92). I regret that it took several phone calls and e-mail to resolve this issue, and that you were treated rudely by a Charter One telephone rep.

The fee reversal and close out will not be evident to you if you go on-line today; it takes a day or two for the close out sequence to hit your account history. If you have any other problems, please contact me directly. I hope to retain your goodwill towards Charter One Bank in spite of the bad experience you encounted.

Good luck with your law school exams...you presented a very well thought out argument!

Susan Baldwin
Massachusetts Regional Sales Manager
413-589-0111   Phone
413-583-4853 Fax
MA417

The Bounce Protection Racket

A legal loophole lets banks cover overdrafts -- at fees that would make mobsters salivate

by [Stephanie Kraft](#) - October 9, 2003

If you've been charged by two different banks for bouncing the same check, or had to pay just to talk to your banker on the phone, you may think you know all there is to know about ripoff creep in the age of bank deregulation. But there's more to learn about how far some banks will go.

COURTESY OF MARY E. OSBORNE

Osborne's June statement: $180 in fees on a $98.25 overdraft.

Consider what happened to Mary Beth Osborne of Hadley in May, when she opened a checking and ATM card account at Charter One Bank. Immediately after opening the account, Osborne bought clothes to wear on a visit to relatives in Tennessee, where her uncle's home had just burned down. She paid for her purchases with her ATM card, which she later learned she had overdrawn by $98.25.

Osborne had not purchased overdraft protection; like many debit card users, she believed the bank's ATM system would simply refuse payment if she overdrew the card. She returned from her trip to find that there was an overdraft and that Charter One had covered it, but was charging a "sustained overdraft fee" of $30 every four business days.

Osborne thought the bank had made an error. She offered to pay back the overdraft plus the initial $30 charge; "I would have been happy to do that," she says, "because it was my mistake." But the bank refused to waive the additional fees.

At the end of June the fees totaled $180. Osborne decided not to pay them; she would find a way of fighting the bank. Like a taxi meter gone mad, the charges ticked on through July. In August the bank turned her over to a collection agency.

Osbowe's account is closed now, but the matter of the fees and their effect on her credit rating is still unresolved. She is one of a growing number of victims of a controversial banking practice called "bounce protection." Not to be confused with traditional overdraft protection -- a benefit a depositor purchases knowingly, for a stated fee -- bounce protection is a "service" the bank gives or withholds as it sees fit, case by case.

When bounce protection clicks in, it can bring charges of up to $6 or $7 a day, and may even include collection costs and attorneys' fees. Partial payments may be applied first toward the fees rather than the overdraft itself, so the charges keep coming.

"There are some people who get into what we call a debt treadmill with this," says Chi Chi Wu, an attorney with the National Consumer Law Center in Boston. "Even if you just have a dollar overdraft, the fees continue."

Bounce protection is a practice the NCLC and other consumer groups around the country have found outrageous. They're calling on federal bank regulators to stop it.

It's well known that for years the key to the profitability of banks has been ever-higher fees for services, and for infractions like bouncing checks. Add to this the fact that since the mid-1990s, banks have been competing with so-called "payday lenders" who make short-term loans at interest rates of several hundred percent, and you understand how market forces and a too-lenient regulatory climate gave bounce protection its start.

Bounce protection is a way of letting people use money they don't have -- in effect, extending credit, according to the Consumer Federation of America -- and maximizing profit for the banks, which can charge whatever fees they like. On an annual percentage basis, $180 per month in fees for Osborne's $98.25 overdraft represents a return of more than 2,000 percent for the bank.

Osborne might have gotten better terms on a small short-term loan from Tony Soprano. But all this is perfectly legal and will continue to be unless the Federal Reserve blows the whistle on bounce protection, which so far it has refused to do.

Comptroller of the Currency John Hawke sees the situation differently than the Federal Reserve; on Sept. 23 he told an audience at the American Banking Association's annual convention that overdraft protection programs were "another accident waiting to happen," and warned that abuses could bring retribution in the form of "regulatory burdens."

For example -- unlike Charter One, which doesn't deliberately lure customers into overdrawing -- some banks tout bounce protection in their ads, promising that depositors who overextend their accounts will be spared embarrassment and inconvenience. Those tactics have brought protests from state bank regulators as well as consumer advocates. In Indiana, regulators have warned banks that they are inciting customers to criminal acts when they encourage them to write checks without sufficient funds.

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author arch

High fees for overdrafts are especially devastating when paired with bank software programs that automatically bounce a depositor's largest withdrawals first if an account is overdrawn. Say you have $200 in an account and you write a check for $180, a check for $40 and a check for $25. Instead of covering your smaller checks so that only the largest one bounces, the bank will cover the largest one first, leaving you with two overdrafts and, of course, two fees.

Hitting ATM users with high overdraft fees is particularly outrageous, according to Wu, because it means that the bank is treating a debit card as if it were a credit card, but without the restrictions that apply to credit cards -- specifically, the restriction against garnishing money from a customer's account to cover credit card debts.

But Dave Bowen, senior vice president for product retail management for Charter One in Cleveland, downplayed his bank's use of hefty sustained overdraft fees. "It's just a way to encourage the customer to take care of the overdraft," he said. "To the extent that it goes on for weeks and months at a time, we're apparently not getting the customer's attention."

At the heart of consumer groups' objections to bounce protection is the issue of disclosure. Banks can hit depositors with exorbitant fees without warning because they don't promise to cover overdrafts; treating the coverage as discretionary shelters a bank from Truth in Lending disclosure requirements.

"The bankers are trying to structure this so they don't have to tell you what it's going to cost, which we think is extremely unseemly," Jean Fox, director of consumer protection for the Consumer Federation of America, told the *Advocate.* In a case like Osborne's, Fox added, the bank could have handled the situation by putting a question-and-answer on the screen at the ATM machine, informing the customer that she was overdrawing and asking her permission to cover the overdraft at a stated rate of interest.

As it is, consumer advocates say, banks with bounce protection programs are worse than payday lenders, who can charge triple-digit interest but must comply with TIL laws.

So far the Federal Reserve has resisted demands from the National Consumer Law Center and the Consumer Federation of America that the TIL laws be applied to bounce protection. In January of this year the agency asked for public comment on bounce protection, but in March announced that it saw no need yet to offer the industry what it politely referred to as "guidance."

"We're continuing to gather information," Federal Reserve spokeswoman Susan Stawick told the *Advocate,* adding that letters from consumers are welcome even though the official public comment period is over.

A strong show of public opinion might sway the FDIC; absent loud protest, however, unwary depositors may continue to be ambushed by exorbitant overdraft fees, since they have become a cash cow for the industry.

This year American banks will harvest $30 billion in ATM fees and overdraft fees, 14 percent more than in 2001. Last year one bank alone -- Washington Mutual, which had a bounce protection program running in high gear -- took in $1 billion in overdraft charges.

"I've heard FDIC regulators talk about this and the general consensus was, don't hold your breath [until the Federal Reserve cracks down]," says Fox, "because this is very profitable for the banks."

Use our contact form to write to Stephanie Kraft.

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Dispatch

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May 15, 2003

Elizabeth A. Renuart, Esq.
Staff Attorney
National Consumer Law Center
77 Summer Street, 10th Floor
Boston, MA 02110-1006

Re: "Bounce Protection" Abuse

Dear Ms. Renuart:

This is a follow-up to our telephone conversation of yesterday. Thank you for taking the time out of your busy schedule to look into the problems my daughter, Kristin, has had with the so-called "Bounce Protection" on her checking/debit card account with the U.S. Bank (U.S. Bancorp) branch located in the Alumni Memorial Union on the campus of Marquette University in Milwaukee, WI.

As I explained during our telephone conversation yesterday, since my letter to you of May 5th a representative of U.S. Bank/U.S. Bancorp called me to discuss my daughter's "overdrawn" account. The representative explained to me that the "Statement History" I had attached to my letter of March 19th to U.S. Bancorp actually showed that my daughter had overdrawn her account by $98.85 and not $39.48 (this because some of the entries in the far left "Post Date, Description" column didn't "line up" exactly with some of the entries in the two columns on the far right side of the "Statement History") and for the $98.85 in "overdrafts" U.S. Bank/U.S. Bancorp had debited my daughter's account $163.00 in "overdraft charges" and not $188.37. The representative confirmed that my daughter's account was **plus** in the amount of $33.52 on the morning of Friday, March 7th when my daughter left on Spring Break and that it was a debit card "charge" in the amount of $40.00 (which was actually incurred by my daughter on the night of Wednesday, March 5th) that made the account go **negative** in the amount of $6.48 by the close of the business day on March 7th. I asked the U.S. Bank/U.S. Bancorp representative to send me a "corrected" Statement of my daughter's account and assured her that once I received it, my daughter would promptly pay the overdrafts in her account. I haven't as yet received the corrected Statement from U.S. Bank/U.S. Bancorp..

However, even as "corrected," the $163.00 in overdraft charges debited to my daughter's account are still troubling since they represent an APR of about 6,000% for what was, in effect, a ten day loan to my daughter by U.S. Bank/U.S. Bancorp. As I indicated to you during our telephone conversation yesterday, the overdraft charges are even more troubling since, when my daughter opened the account about three (3) years ago, the branch was "Firstar Bank" (before the merger of Firstar with U.S. Bancorp made it a U.S. Bank branch) and she doesn't ever remember being informed by U.S. Bank/U.S. Bancorp of the amount of the fees that it would charge her if she would ever overdraw her account.

Again, thank you for taking the time to look into the problems that my daughter has had with the so-called "Bounce Protection" on her checking/debit card account with U.S. Bank/U.S. Bancorp. And, you have Kristin's permission to use anything in this letter (or in my May 5th letter to you or in my March 18th and April 1st letters to U.S. Bancorp) at any meeting of the Consumer Advisory Council or in any publication either by you or the National Consumer Law Center.

Should you have any other questions or would like to discuss this matter further, don't hesitate to e-mail me at jrosenquist@leydig.com or call me at (312) 616-5680.

Very truly yours,

John E. Rosenquist

John E. Rosenquist

Cc: Kristin Rosenquist

JOHN E. ROSENQUIST
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May 5, 2003

Elizabeth A. Renuart, Esq.
Staff Attorney
National Consumer Law Center
77 Summer Street, 10th Floor
Boston, MA 02110-1006

Re: "Bounce Protection" Abuse

Dear Ms. Renuart:

Because of a very troubling experience that my daughter, Kristin, had with the "Bounce Protection" on her checking/debit card account with the U.S. Bank (U.S. Bancorp) branch located in the Alumni Memorial Union on the campus of Marquette University in Milwaukee, WI (where Kristin is a junior), I began researching the attempts by various government agencies to look into regulating "Bounce Protection" plans. As a result of my research, I located and read the transcript of the March 13th meeting of the Consumer Advisory Council of the Federal Reserve System. I agree wholeheartedly with your comments at that meeting concerning the potential (if not actual) abuse of "Bounce Protection" plans by banks regulated by the Federal Reserve System.

I've attached copies of two letters that I sent to the home office of U.S. Bancorp (dated March 18th and April 1st) detailing the rather troubling manner in which U.S. Bancorp applied its "Bounce Protection" plan to Kristin's checking/debit card account at U.S. Bancorp. Basically, U.S. Bancorp charged a total of $188.37 in "over draft charges" in a ten day period to Kristin's account for $39.48 in "overdrafts" on the account. To make matters worse, the "overdraft charges" were debited to her account on a daily basis while Kristin was away on Spring Break and wasn't aware of the situation until she returned to Milwaukee. To date, I have not received a response from U.S. Bancorp to either of my letters. Instead, U.S. Bancorp has apparently transferred the "overdraft charges" and the "overdrafts" (a total of $227.85) to a "credit card" account that it issued to Kristin as a part of her checking/debit card account at U.S. Bancorp--a credit card account that Kristin never "activated" or used--and has begun harassing her daily to make "arrangements" to pay off the $227.85 on the credit card account. I've contacted U.S. Bancorp's credit card arm and asked that they cease and desist from contacting Kristin until the underlying transaction that gave rise to the $227.85 credit card charge is resolved with U.S. Bancorp's banking arm.

The reason that I'm writing you is to give you "ammunition" to use at any future meeting of the Consumer Advisory Council should the topic of the potential (or actual) abuse of "Bounce Protection" plans by banks regulated by the Federal Reserve System again come up. You have Kristin's permission to use anything in this letter (or in my March 18th or April 1st letters to U.S. Bancorp) at any meeting of the Consumer Advisory Council or in any publication by either you or the National Consumer Law Center.

Should you have any questions or would like to discuss the matter further, don't hesitate to e-mail me at jrosenquist@leydig.com or call me--my direct dial telephone number is (312) 616-5680.

Very truly yours,

John E. Rosenquist

Cc: Kristin Rosenquist w/o enclosures

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March 19, 2003

Brian J. Ranallo
Chief Administrative Officer
U.S. Bancorp Piper Jaffray
U.S. Bancorp Center
800 Nicollet Mall--Suite 800
Minneapolis, MN 55402

Re: Account # [redacted] At "Bank 0830"

Dear Mr. Ranallo:

My daughter, Kristin, has called my attention to a rather distressing and disappointing situation that has arisen concerning the above-identified account she has at the USB branch located in the Marquette University Student Center in Milwaukee. Kristin is a Junior at Marquette and has had her account with that USB branch (and Firststar before that) since her Freshman year. Like most college students, Kristin probably never has more than a couple of hundred dollars in the account at any time during the month. And again, like most college students she, unfortunately, occasionally "overdraws" her account by a few dollars--in this instance by about $40.00.

She returned from Spring Break this past Sunday, and on Monday (March 17th) when she checked the balance in her USB account she was shocked to find that it was a **minus** $227.85. When she had left Milwaukee on Spring Break the morning of Friday, March 7th, the balance in the account was a **plus** $33.52. When she obtained an itemized statement of her USB account (a copy is enclosed for your convenience), she discovered that the **minus** $227.85 balance was due to $39.48 in "overdrafts" (highlighted in pink on the enclosed statement) and a whopping $188.37 in "over draft charges" (highlighted in yellow on the enclosed statement) that had been debited to her account after she had left on Spring Break. That's nearly $200 in "charges" for about $40 in "overdrafts"--about 500% "interest" (masquerading as "overdraft charges") in ten days. Now being a lawyer I probably shouldn't say this but, there has to be a law against such outrageous "interest"/"overdraft charges" and, if there isn't, there should be! The mafia's infamous interest rate of "six for five by Saturday" pales by comparison. As a lawyer who tends to think in things like "class action lawsuits," I wonder how many other Marquette students are being similarly gouged by USB and whether the University is aware that type of sharp practices by USB is going on right under its collective nose in the Student Center?

Kristin has discussed the situation with the USB branch manager, but with no success--the branch manager offered to reduce the "over draft charges" by about $30. Therefore, could you or someone at US Bancorp's corporate offices in Minneapolis look into the situation and not only reduce the "overdraft charges" on Kristin's $39.48 in "overdrafts" to a more reasonable amount (say no more than 100% of her "overdraft" amount), but also look into and change whatever USB policies and/or rules that would allow 500% "interest" to be charged for what is in effect a ten day loan? Thank you.

Very truly yours,

John E. Rosenquist

Cc: Kristin Rosenquist
Branch Manager

BANK: 0830 | **STATEMENT HISTORY** | DATE: 03/18/03
PROD: DDA | | TIME: 15:25:11
ACCOUNT: [redacted] | | PAGE: 1

POST DATE / DESCRIPTION	CHECK NUMBER	DB/CR	C	TRANSACTION AMOUNT / RESTRICTED AMOUNT	LEDGER BALANCE / ACCOUNT BALANCE
03/17	0	D		15.00	-227.85
CONTINUOUS OD CHG				0.00	-227.85
03/14	0	D	*	5.00	-212.85
CONTINUOUS OD CHG				0.00	-212.85
03/13	0	D	*	5.00	-207.85
CONTINUOUS OD CHG				0.00	-207.85
03/12	0	D	*	5.00	-202.85
CONTINUOUS OD CHG				0.00	-202.85
03/12	532	D	*	75.00	-197.85
NSF-PAID TRIPS 3/7/03 SEQ 537				0.00	-197.85
03/11	0	D	*	~~33.00~~	-122.85
OVERDRAFT CHARGE				0.00	-122.85
03/10	0	D	*	7.36	-89.85
030703CHEXTRA NOODLES & CO MILWAUKEE - Debit				0.00	-89.85
03/10	0	D	*	33.00	-82.49
OVERDRAFT CHARGE				0.00	-82.49
03/10	0	D	*	33.00	-49.49
OVERDRAFT CHARGE				0.00	-49.49
03/07	0	D	*	10.01	-16.49
030503CHEXTRA QDOBA MEXICAN GRMILWAUKEE - Debit				0.00	-16.49
03/07	0	D	*	40.00	-6.48
030703S1D030971442 W WISCONSINMILWAUKEE				0.00	-6.48
03/07	0	D	*	29.00	33.52 -
RETURNED CHECK CHARGE				0.00	33.52
03/07	532	N	*	75.00	62.52
RETURNED ITEM				0.00	62.52
03/05	0	D	*	10.00	62.52 - $39.4
030503S1D030971442 W WISCONSINMILWAUKEE				0.00	62.52
03/04	0	D	*	44.17	72.52
030303TYMMTERM1818 W. NATIONALMILWAUKEE				0.00	72.52
03/04	534	D	*	92.88	116.69
CUSTOMER CHECK				0.00	116.69
03/03	0	D	*	8.04	209.57
022803CHEXTRA NOODLES & CO MILWAUKEE				0.00	209.57
03/03	0	D	*	20.00	217.61
030103S1D038051442 W WISCONSINMILWAUKEE				0.00	217.61
03/03	0	D	*	42.00	237.61
030203TYMMTERM824 N. 16TH ST. MILWAUKEE				0.00	237.61
02/28	0	D	*	16.72	279.61
022603CHEXTRA OPEN PANTRY FOODMILWAUKEE				0.00	279.61
02/27	0	D	*	20.00	296.33
022703S1D030971442 W WISCONSINMILWAUKEE				0.00	296.33
02/27	0	D	*	21.50	316.33
022703PLU3LINK1414 W WELLS ST MILWAUKEE				0.00	316.33

30.00

SELECT: ALL HISTORY | ITEMS PRINTED: 00022
DB/CR: ALL | CYCLE/NON: ALL

Dear Jean,

I am finally taking the time to write my frustrating experience with regards to "bounced" checks and the exorbitant fees the bank charges.

Here are some of the details:

The bank's name is TCF
The phone number is (612) TCF-Bank
(612) 823-2265
Greater Minnesota (800) 328-0728

I read the article by Alex Berenson regarding the fees banks charge in the Minneapolis StarTribunenewspaper titled Fed OKs banks' 'bounce' services.

"I have a daughter who a college student who has been penalized repeatedly by her bank. I am the first to admit that she needs to be responsible to manage her money. The problem I have is when she makes one mistake, the bank then hits her with an overdraft charge, thus causing a chain reaction. Next thing I know, she will have 5-6 overdrafts because they keep hitting her with $33 per overdraft causing subsequent checks to bounce. There have been times where I have put deposits in thinking it is taking care of the problem and then will get more overdraft notices the next day and even the day after that. I get so frustrated when most of the checks are for less than $10 each.

When I have gone to the bank they act like they are doing me a favor by reversing a couple. After it happens a couple of times, their generosity stops and they now can profit by hitting the poor college kids. My girlfriend's daughter works for this bank and the daughter thinks this practice strictly a money-making endeavor to take advantage of the lower income people.

For our personal story, I believe it is fair to get hit with an overdraft fee, but I believe 6 in one day is outrageous."

I finally had to sign up for "overdraft protection", which again is a $300 loan to help eliminate the fees. I am sure this is also a profitable "service" they provide. Feel free to use any or all of my testimony. If there are any additional questions for me, I can be reached at.

Sincerely,
Micky Mekosch