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The most usury aspect of overdraft charges is the practice by banks to debit your account in order of largest amount to smallest amount. Here's an example similar to my own. On 3/16 several debit purchases (nine in total less than \$150) made while traveling hit my checking account. I also had an outstanding check in the amount of \$450 that was deposited also on 3/16 (my mistake, I thought I had written the check from a different account). If my account was deducted in order of the debits, the only item overdrafted would have been the check in the amount of \$450 (with a single overdraft charge of \$33). Instead, my bank puts the highest ticket item through first, overdrafting the 9 debits AND the check, for a total of 10 overdraft charges at a cost to me of \$330!! I'm posting an article below from The Atlanta Journal-Constitution that explains in greater detail how this is happening all over the country, and is a tactic used by many, many banks. This absolutely needs to be addressed in R-1343. By not addressing this banking scheme, the regulation would stop short of addressing the most egregious banking practices perpetrated on a daily basis. Overdraft fees more than many bank on By CARRIE TEEGARDIN The Atlanta Journal-Constitution Sunday, March 01, 2009 But consumer advocates say large banks statewide are making similar short-term loans at astronomical interest rates. They just call it something else: an overdraft charge. When a consumer swipes a debit card on an account with an inadequate balance, banks usually extend the money these days instead of declining the withdrawal. In return, the bank charges the customer a fee that is deducted - along with the amount overdrawn - when the next deposit is made. "Consumers tell us they want the service," said Scott Talbott, senior vice president for government affairs at the Financial Services Roundtable, a trade organization for large financial services companies. "Without it, transactions wouldn't go through and they would be standing at the counter at the Gap and the transaction would be denied or a check would bounce, creating all sorts of havoc." Consumer advocates say most shoppers do not want a service that charges such high fees for an overdraft loan - especially when a small debit charge is involved. "Do you want to be charged \$35 for overdrawing \$20 in the grocery store? I don't think so,"

said Jean Ann Fox, an expert on lending issues at the Consumer Federation of America. The Federal Reserve Board is considering new rules that could restrict overdraft charges. The board is seeking public comment on two proposals: requiring that consumers must specifically approve overdraft services and charges, or requiring instead that banks offer customers the ability to opt out of the service. The board will take public comment on its proposal until March 30. The annualized percent rate for short-term overdraft loans is typically in excess of 1,000 percent. Consumer advocates say such rates make overdraft charges one of the most expensive forms of credit on the market - and something that most consumers did not ask their banks to provide. "It's credit that consumers have not applied for or consented to," Fox said. "They don't even know when they're using it." The overdraft services become especially costly when a consumer, who doesn't realize the account is low or that a deposit hasn't yet posted, swipes the card for a series of small payments. Less than \$35 in merchandise - \$4 at Starbucks, \$10 for dinner at Moe's and \$20 at Target - could cost four times that much when three \$35 overdraft fees are added to the tally. In cases like that, most customers would prefer the embarrassment of having the charge declined at the register, the advocates argue. Dawn Morris, a longtime Bank of America customer from Woodstock, said she favors restrictions on overdraft charges. She learned how the system works at the end of last year, when her holiday shopping bill exploded because of a series of unexpected overdraft charges. In one week alone, she said, the bank charged her more than \$400 in overdraft charges because a deposit her husband made to her account apparently wasn't posted until after she finished a day of Christmas shopping. "I couldn't believe they did that to me right before Christmas," she said. She said she put more money into the account and incurred more overdraft charges because the bank quickly used the money to cover its pending fees. One of the charges, she said, came when the bank covered an overdraft of 20 cents. "I got a \$35 charge when it was a 20-cent difference!" she said. Bank of America confirmed that debit transactions are usually deducted from an account that day, while deposits may not post to the account until the next day. The company declined to comment, citing privacy concerns. Fox, of the Consumer Federation of America, said it's often difficult for consumers to know how much money they have available because of delays in posting deposits. Fox said some banks do not post cash deposits immediately. Consumers pay \$17.5 billion a year in overdraft fees - more than the \$15.8 billion loaned to cover overdrafts, according to a study by the Center for Responsible Lending, a North Carolina-based consumer organization. The typical overdraft for a debit card issued by a large bank involves a \$34 fee on a \$20 purchase, according to the CRL study. Banks increase the number of fees charged by the order in which they process checks. Many banks pay the largest check first, which results in more overdrafts to cover a series of small checks that can't clear once the large check has been paid. Banks argue that consumers want them to pay the largest check first because it's usually the most important one. "If you ask the consumer would you rather pay the mortgage or your dues to the local book club, they will say the mortgage," said Talbott, of the Financial Services Roundtable. Fox, however, said polling found that consumers actually prefer just the opposite: to bounce the fewest checks and incur the lowest number of overdraft fees. Consumer advocates want the overdraft services to be considered loans - requiring banks to get the customer's consent and to disclose the annual percentage rate of the transaction. But at the very least, they say, banks should be required to get the customer's permission to enroll them in the service. Bankers say there are other options to cover overdrafts. Many offer cheaper alternatives, such as a line of credit or linking a checking account to a savings account or credit card account that would cover overdrafts. Many banks also will alert a customer by e-mail that their balance is low. "Talk to

your institution," Talbott said. "Understand what services you have now and what are available."