

From: R. Roden, CA  
Subject: Electronic Fund Transfers

---

Comments:

Board of Governors of Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Dear Federal Reserve Board Director:

I support the proposed requirement that would require financial institutions to obtain consumers' affirmative consent (or opt-in) before any overdraft fees or charges may be imposed on consumers' accounts.

Banks should get explicit permission before enrolling customers in the most expensive overdraft system, automatically covering overdrafts and charging high fees, and should be stopped from using unfair practices to increase their overdraft fees.

Personally I find it far easier and SAFER to decline a transaction that would cause me to overdraft than to "do the customer a favor" or "spare me the embarrassment".

If a person does not have the \$1-\$5 in their account to cover a purchase, why would a bank assume that they would be able to afford \$25-\$35 in overdraft fees ON TOP OF the \$1-\$5 they didn't have to begin with in their account?

In fact, looking at a very typical usage scenario, the \$1-\$5 charge allowed to be processed under the current system would more likely result in \$50-\$145(!) overdraft fees! "How is THAT possible?", you ask? Simple really:

When using your debit card or purchase something (let's say a \$4 sandwich), you swipe your card at the terminal. There's a "transaction fee" of anywhere from \$0.25 to \$1 to use your card. The bank "allows" the transaction and you walk out the door with your purchase (sandwich in this case).

However, your fees occur like this:

1) an overdraft for the transaction fee 2) an overdraft for the initial amount (\$4) 3) an overdraft for the negative balance FROM the overdraft (e.g. negative daily balance fee)

So assuming the best case scenario (the bank charges you only the \$25 per TWO of the THREE) you pay \$50 more for your \$4 sandwich. Assuming the WORST case scenario (the bank charges you \$35 for each of the THREE fees), your \$4 sandwich now costs you \$135 extra! Which has more "embarrassment" - a declined transaction for a sandwich or a declined transaction for your car payment or rent?

"But there are systems in place to prevent those - the overdraft

protection accounts!", you say? Perhaps a closer look is in order, because they do NOT protect you from an overdraft, but simply "shift" the overdraft around!

An overdraft protection account is typically an additional account or line of credit attached to a particular account so that in case a purchase would overdraft the account, the money is instead automatically deducted from the "protection" account and placed in the purchasing account. Sounds simple, right?

However, it's not so simple, as most banks charge a "fee" (approx. \$15-\$30) for the convenience of "transferring" the money automatically, AND the money is still being deducted from an account (usually a savings account or a credit line).

This means that while you technically avoid MORE EXCESSIVE overdraft fees, you are STILL acquiring fees that cause that same \$4 sandwich to cost you between \$15-\$30 EXTRA that you still didn't have to begin with. And please hope that you do not somehow cause more than ONE transaction to overdraft - that could result in MORE fees from the bank ON TOP OF the aforementioned fees.

That would be simply too many fees...come to think of it, isn't there too many "fees" already?

Sincerely,

R Roden