

From: Phil Goodwin  
Subject: Electronic Fund Transfers

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Comments:

With regard to ATM and POS debit card overdraft fees:

I am writing to express my approval of the new policy proposals designed to make overdraft protection, and its associated fees, optional for ATM and debit card transactions. There are several arguments to be made in favor of this sort of policy based solely on the grounds of fairness: the charge incurred for this protection is far too high to be construed as interest on a loan, it is clearly intended to be a fine, but it doesn't make sense to willfully take action at the behest of your customer and then levy a penalty for that behavior. A good case could be made that overdraft protection for the transactions in question should be packaged, sold and regulated as a form of revolving consumer credit. However, I think that there is a more important reason to change these practices, and that has to do with the issue of transparency.

Our nation, indeed our entire planet, is embroiled in an epic economic disaster because our markets, which is to say all of us as individuals, behaved irrationally over a long period of time. A large part of this irrational behavior would have been avoided if each of us had had access to reliable information about the outcomes of our actions. If we are to avoid these kinds of terrible outcomes then we must ensure that individuals have the best possible information available to them at the points in time when they are making decisions. Only then can we hope to tap into the wisdom-of-crowds effects that we expect from the marketplace. So, when faced with policy decisions about whether and how to regulate the financial industry, we have to take into account how the proposed regulations will affect the flow of information through the economy and favor those regulations that put the greatest amount of accurate and relevant information into the hands of decision makers, especially in cases where the number of decisions affected will have a large aggregate effect. In this case there is an opportunity to alert consumers when their bank accounts are about to make the critical transition into a negative balance so that they can adjust their decisions accordingly. No matter what decision is made about the fees, this key component of communicating critical data should be included in the final version of this new regulation.

Sincerely,

Phil Goodwin