

From: Stephen Abbott, Billings, MT

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 recently read of the proposed new regulations requiring customer consent for "courtesy" overdraft protection on checking accounts. I feel obliged do write in support for these regulations, which I feel are long overdue. I have not had any personal troubles with overdraft fees, largely due to the experiences of my brother in which I played a central role. The nightmare he experienced gave me cause for extra diligence, but I feel relating it will serve as a good example of just how insidious this practice is.

In the winter of 2006 I visited my parents in Colorado from my graduate studies in Florida. An unfortunate combination of weather and family troubles left my parents stranded on the east coast, leaving me alone in their house. Alone, in my parents home, a scant few days before Christmas, I received a call from my brother. He was panicked; his bank account was overdrawn several hundred dollars. Left without money for rent or food, he turned to me for help in figuring out what had happened. Ultimately, we were able to untangle the situation. My brother, a pilot, had suffered a period of unemployment and only weeks before managed to obtain a job with a small airline in Montana. He had not yet managed to change the address associated with his Wells Fargo banking account from my parent's home. Never particularly organized, my brother relied on using Wells Fargo's online banking system to monitor the funds in his account. Unfortunately, as a pilot he was often away from home and not able to keep a close eye on his checking account using this method. At some point, perhaps a week prior, he had depleted available funds without realizing. He continued making purchases using his check card, unaware that every transaction was accruing an additional thirty-five dollar overdraft fee. Never was his card declined at point of sale, nor did he receive a phone call or email from Wells Fargo. Instead, they permitted him to continue making overdraft purchases, most for small amounts. When he finally returned home and checked his account to see if his paycheck had cleared, he discovered it overdrawn by around three hundred dollars. We later determined the situation was worse than it had appeared; his six hundred dollar paycheck had cleared, but had been completely absorbed by the overdraft charges. The negative balance he first observed was what remained after his paycheck. The transactions and overdraft fees had resulted in a nearly one thousand dollar negative balance!

Needless to say, we were stunned. We assumed that to accrue such

a massive balance of overdraft charges without the bank suspending his debit card or notifying him was impossible; we began to investigate the possibility of identity theft, which we believed was the only way such a disaster could occur. Sadly, we were wrong. I began to sort through the pile of mail on my parents' counter, at which point I discovered several letters addressed to my brother from Wells Fargo. At his request, I opened them and discovered each one was an itemized list of transactions from a specific day, beginning the day he first overdrawn his account. Each transaction was accompanied by a thirty-five dollar fee. There had been no identity theft, there was simply courtesy overdraft protection.

We simply could not believe the situation. He was baffled that Wells Fargo had not suspended his card after the first day his account was overdrawn. He had not understood that Wells Fargo used this sort of overdraft system, and it cost him dearly. Banks may refer to this system as "protection," but in this instance their actions left him three hundred dollars in debt. Perhaps there was a time when the so-called overdraft protection did, in fact, protect a banks customers. Now, however, it often seems to be merely a predatory means for banks to make money off those customers too naive or inexperienced keep a close watch on their finances.

I support the proposed requirement that would require financial inst

Sincerely,
Stephen Abbott
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