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Subject: Electronic Fund Transfers

Comments:

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Proposal: Regulation AA - Unfair or Deceptive Acts or Practices
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Comment on Proposal to Amend Regulation AA (r-1314) Overdraft protections unfairly burden low and middle income households by imposing high costs upon households with bank accounts. The fees generated by these policies may enrich banks, but in the long run they also form a basis for the decision by many households to opt out of the banking system. We know that we need people to have access to the payments system. Without that access, businesses bear higher costs. They must pay in checks, rather than utilizing direct deposit. Overdraft protection can often confuse customers. Under this system, "available funds" often include dollars outside of a savings or checking account. If an additional \$150 is listed as available, consumers are likely to withdraw that money at an ATM or at a point of purchase using their debit card. This means that they incur fees, even though their bank told them that they had funds available. This is inherently wrong. It confounds our expectation that markets will work better with perfect information. Whereas bank policy once used methods to deter check bouncing, banks now generate substantial fee income from overdraft "protection." Prior to about 10 years ago, banks returned checks as "unpaid." This was prior to the introduction of debit cards. In many instances, a check presented without enough funds is now paid, but then multiple fees are charged. This means that overdraft protection is often not a desirable service. In many instances, overdraft services harm consumers. For example, small debit transactions are routinely approved at the point of purchase even if a consumer has a negative balance. This means that a simple purchase of a few dollars can generate as many as 2 overdraft fees. Some banks would generate more than \$70 for this short-term advance. Some consumers may want overdraft protection. It is important they be able to access this feature. However, many consumers may feel differently. This is why the default status for a consumer account should begin without overdraft protection. Consumers should opt-in to this product at their own free will. If consumers want a service like overdraft protection, then a rule that allows them to opt-in is preferable to our current system. The second proposal, to disallow holds from triggering overdrawn accounts, should also be introduced. Ultimately, it would be better to apply TILA to overdraft protection. These protections should be

applied to both overdrafts on checks as well as on debit transactions. They should cover transactions at ATMs and during the point-of-purchase. Overdrafts act as short-term loans. They should be regulated in a matter consistent with that role. Regulatory efforts to reform overdraft protections through "best practice" guidance have made no impact on policy. This is why a new final rule, with strong enforcement procedures, is called for. Thanks for your consideration, Adam Rust Peter Skillern Community Reinvestment Association of North Carolina