

From: PortAlliance Federal Credit Union, John Lawrence  
Subject: Electronic Fund Transfers

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Comments:

Date: Mar 30, 2009

Proposal: Regulation E - Electronic Fund Transfers

Document ID: R-1343

Document Version: 1

Release Date: 12/18/2008

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Comments:

Dear Federal Reserve Board Director I do not support the proposed requirement (Regulation E - Electronic Fund Transfers [R-1343]) to require financial institutions to obtain consumers affirmative consent (or opt-in) before any overdraft fees or charges may be imposed on consumer's accounts. My credit union has for 5 years now, has had a program in effect to assist our members by paying / covering non sufficient funds "NSF" checks or point of sale transactions. As the Senior Vice President I have the opportunity to speak with our members who have all kinds of financial problems every day. Our program "Courtesy Pay" notifies (by mail) members with "NSF" transactions and subsequently charges a fee and the NSF item is paid. Additionally when the member incurs his or her first "Courtesy Pay" item they are notified by mail and an "Opt-Out" Form is included with that NSF notification. The credit union "Courtesy Pay" fee is the same as the NSF fee. Not all members are eligible to participate in the Courtesy Pay program; the member must have the means to repay the Courtesy Pay items within a thirty day period. If the member returns the "Opt-Out" form or otherwise contacts us to inform the credit union they wish to "Opt-Out" it is our policy to credit the Courtesy Pay fee back to the member and remove their account from the program. Please note the member will continue being charged a NSF fee when a check is returned for non sufficient funds. All NSF items will then be returned to the merchant and the member will generally be charged an additional fee and may be reported to a national data base for returned checks. Since the implementation of the Courtesy Pay program in March of 2004 the credit union has excluded 423 members from Courtesy Pay, where only 192 actually used the "Op-Out", the other 231 members were excluded from the program due to other reasons. As mentioned above, I talk to many of our members concerning financial challenges, and it is our policy to do what we can to assist them. One example of our alternative loan program called "Funds to Go", which takes into account only their ability to repay the credit union. Members who seem to constantly use our Courtesy Pay program are counseled and given a fresh start. Many of the same members are victimized by predatory Pay Day lenders, and our "Funds to Go" loan program not only assumes the members negative balance but also other debts including Pay-Day Loans. The member is

then able to manage and makes one lower monthly payment. I have received countless letters from members thanking our credit union for a chance to rebound from their financial problems, Additionally our staff diligently monitors those member's accounts ensuring they do not return to old habits. Requiring members to " Opt-In" to our Courtesy Pay program would be a great disservice to our members, adding financial stress on many of our members. It is our policy to review our NSF items daily and many of those items are utility, mortgage and auto insurance payments. Not paying those items and returning them as NSF until the member signs an "Opt-In" form is not the answer to helping people. Those same member's would still be assessed a NSF fee and be exposed to additional merchant fees and thus causing a multitude of problems with the merchants, insurance companies, mortgage lenders and possible credit rating issues. We do not advertise our program and as mentioned earlier not all members qualify. We did not start out allowing point of sale transactions but after many requests opened up that option and those transactions only account for a small portion of our overall transactions. When we first opened the Courtesy Pay program to point of sale, many members called and we refunded many of those fees until our members were educated. Now many of our members know how to manage their checking account and use our Courtesy Pay program an emergency. In closing, please understand that many people who are financially challenged in today's economic times will suffer if the " Opt-In" requirement is implemented. This is not the solution to helping our members manage their financial needs. Giving proper notification(s) and allowing a member to "Opt-Out" and working with people including financial counseling is the real answer and I know this because it is my opinion that my credit union does exactly that, and it has been working for our members.

John Lawrence  
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