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Comments:

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Proposal: Regulation E - Electronic Fund Transfers

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I think that the solution needs to ensure that when a customer opens an account, that the account defaults to never allow an ATM request to be fulfilled or a Debit transaction request to be authorized unless there are enough funds. If the customer can afford to attach an overdraft protection mechanism to the account and wants the bank to allow overdraft, then that can be a choice. Regulation E - Electronic Fund Transfers [R-1343] Many people are not in a position to afford an overdraft mechanism - they do not make enough money. Many people do not have enough financial maturity to handle overdraft and count on the bank to enforce a cap on spending that is equal to their balance. I include students in this group, and any customer who lacks the experience or ability to make financial plans or control impulse. We too thought that a debit card was a safe alternative for a student learning about financial transactions. Hundreds of dollars later, we found out about the overdraft. Today, due to poor impulse control, it continues to be a problem. Miscalculating balance by \$.05 can send a customer who lives from paycheck-to-paycheck into a spiral of debt. One thing that we would need to solve for in order to support a policy of no overdraft. Merchants do not authorize all transactions, and if the transaction is under a floor amount, this is an accepted practice. So a customer who makes 3 purchases of \$1.99 could actually be over the balance without knowing it. Merchants would need to authorize all transactions regardless of amount in order to determine if the account had sufficient balance. ATM withdrawals at the ATM of another bank may not be able to access an up to date balance for an account. Policies would be needed to assure that no ATM transaction could occur unless a real-time authorization had occurred. This legislation could be an important step in bringing the unbanked into the system and allowing them to break free of predatory check cashing fees.