

From: David Falkner, OH
Subject: Electronic Fund Transfers

Comments:

David Falkner
OH

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Dear Federal Reserve Board:

I am writing to add my thoughts to this process. The overdraft fees my bank charges are on the order of \$37/per item. They also have a policy to clear the largest payment first. The only feasible reason for this is to charge more overdraft fees. Add to this the \$8/per day late fee.

Assume three purchases are made, all using the debit card, as a debit card. The bank also charges a \$1 fee. That is \$3 in fees. If I have \$100 in my account, and make three purchases for \$44, \$33, and \$23, for a total of \$100. I have now to deal with my 3 \$1 fees. The bank will process my fees last, all three despite them being created by the separate purchases, and charge overdraft fees (overdraft on the cost of their own fees) of \$111. If I have to wait a week to get paid to replace this balance, we can also add \$56 in daily overdraft fees. The total fees charged are \$167 on a \$3 overdraft. This is an interest rate (which is the rent charged to borrow money, these are not fees, they are interest payments) of 5566.6667%. This is over a one week period. To find the annualized interest rate on this one week rent of \$3, we must now multiply by 52.

This works out to an annualized interest rate of 28,946,666.6667% for a one week loan of \$3.

If the bank would not loan the money to cover the payment, then these would be fees. They are not, however. The banks cover all pending payments by loaning the money at clearly usury rates. This practice pinches spending power considerably for those who live on a paycheck to paycheck basis, and quite frankly is unfair to everyone.

Banks already have the benefit of fractional reserves (lending my money to others and making money off of it, I wish I could make one dollar into five), and charge fees for everything ranging from (sarcasm here) using the pen at the counter to writing on the deposit slip.

In short, banks are fairly well positioned in our economy, and don't bend on their policies when people screw up. Now, when banks have screwed up, taxpayers are bailing them out, yet the practice of abuse the customer continues unabated. They can afford to be a little more lenient.

Regards,

David Falkner