

From: Jason Klobassa, Minneapolis, MN

Subject: Electronic Fund Transfers

Comments:

Feb 26, 2009

Federal Reserve Board Email comments

Dear Email comments,

My name is Jason Klobassa and I am writing to express my great displeasure with the ways in which U.S. banks handle transactions made with debit cards and ATMs that result in overdraft fees. For too many years, the banking industry has been raking in obscene profits by willfully refusing to provide consumers with simple options that will allow us to prevent our accounts from going into overdraft.

I want to share a short personal story with you to illustrate this serious problem. And I will comment on how banks apply a double-standard to their own procedures concerning this issue. And I will list some requests I have for making improvements by way of new requirements for the banking industry.

I used to have several accounts with TCF Bank in Minnesota, including a checking and savings account. I was issued a debit card that could be used for several types of transactions at ATM machines, including verifying balances on my checking and savings accounts, withdrawing money from my checking account, and transferring money from my savings account to my checking account.

At one point I apparently had a small balance in my checking account, and thousands of dollars in my savings account. I kept the majority of my money in a savings account to earn a little interest; the checking account provided no interest earnings. I made a withdrawal request from my checking account at an ATM, and the ATM accepted the withdrawal. Days later I became aware that the bank had allowed my checking account to go overdraft at the time I had made the withdrawal. The ATM withdrawal was at least partially responsible for several other transactions (handwritten checks) being processed as overdrafts. The bank charged me upwards of \$200.00 in overdraft fees.

There are a few ways I could have prevented the initial ATM overdraft from ever happening had TCF Bank provided me with one or more reasonable options at the time I opened my accounts. First, I believe the bank should have allowed me to choose whether I wanted to opt-in to the bank's "overdraft protection." With that option, if I choose not to opt-in, the bank should be required to deny a withdrawal request at an ATM, or debit charge at point-of-sale, if the balance in my account isn't sufficient to cover the amount. In the case of using an ATM machine, the bank should be required to show an on-screen message explaining that the withdrawal request is denied due to insufficient funds--and at that point it should provide the option to print a receipt showing the account balance. For privacy reasons, it would be understandable for a store clerk not to be provided with the exact reason why a charge is denied; nevertheless, consumers should still have the option to prevent a charge from being accepted that

would cause an account to overdraw.

Ideally, banks would allow consumers to tie multiple accounts together--within the same bank--so that a secondary account could basically act as the "overdraft protection" for consumers. In this scenario, if a primary account doesn't have sufficient funds for a transaction, the transaction request would trigger an automatic transfer of funds from a secondary account into the primary account--an amount sufficient to cover the transaction. And if there still aren't enough funds after the transfer, the transaction should be declined. Had TCF Bank offered such an option at the time I opened my accounts, money from my savings account could have been automatically transferred into my checking account to prevent the ATM withdrawal from causing my account to use the bank's "overdraft protection."

I believe banks should be required to provide at least one of the two options I just described. With regard to the option of tying accounts together, banks should be allowed to charge a nominal one-time fee for transfers from a secondary account into a primary account, but no more than the amount they would charge for a transfer of funds by telephone, on-line, at an ATM, or at a teller counter. Banks should not be allowed to treat such transfers differently by trying to charge a monthly recurring fee for that option.

If U.S. banks are not required to provide consumers options to prevent accounts from going overdraw due to ATM withdrawals, at the very minimum banks should be required to immediately notify consumers of the overdraw by showing a notification on the ATM screen, and printing a message on the ATM receipt (for customers who request that a receipt be printed). This may help consumers by giving them time to manually transfer or deposit funds before more outstanding transactions incur overdraw fees.

The fact that banks have ever allowed ATM withdrawals to cause accounts to go overdraw is, quite frankly, an unethical double-standard. The reason why it's a double-standard is simple. If you walk up to a bank teller at any bank in the U.S. and fill out a slip to withdraw money, the teller will not give you an amount greater than your account balance. The bank's computer system will show the teller the balance in your account, and the teller can tell you how much--if any--is available for withdrawal, if the original amount requested isn't available. A bank teller isn't going to give you the option to go overdraw and incur overdraw fees. If anything, the teller will ask if you have an additional account with the bank from which you could draw the funds, or point you in the direction of a loan officer.

Modern ATM machines have access to the same balance information that tellers have access to at the bank location. There is no obstacle to an ATM machine being able to prevent withdrawals greater than account balances, except for the lack of willingness by banks to program their machines to operate that way. Here's an interesting illustration of this absurd double-standard. You could withdraw money from an ATM machine right inside the lobby of your bank and the ATM machine may allow your account to go overdraw, causing you to incur hundreds of dollars of fees, which wouldn't have happened had you only walked twenty more feet to make the withdrawal at the teller counter.

Adding insult to injury, many consumers end up paying fees just to use ATM machines. The fact that consumers are paying for the "convenience" to use ATMs that can cause consumers to incur more fees is laughably absurd.

The Federal Reserve Board has the authority and power to make certain that consumers are treated ethically by the banking industry. I request that you give consumers reasonable control over the way debit card and ATM transactions are processed by doing the following:

- 1) Stop banks from charging consumers fees for overdraft service we didn't sign up for.
- 2) Require banks to get consumers' permission first before covering ATM and most debit transactions (called "opt-in" overdraft service).
- 3) Give consumers the right to choose the type of transactions that may trigger fees (such as ATM withdrawals vs. writing a check).
- 4) Give consumers the same terms and conditions on our accounts whether or not we choose to pay overdraft fees.

Please allow me the chance to opt-in to overdraft services. This is the only way that I will truly feel protected.

Sincerely,

Mr. Jason Klobassa
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