

From: Michael O. Patterson on 08/05/2004 07:36:10 AM

Subject: Regulation DD - Overdraft/Bounce Protection Services

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
(12 CFR Part 230; Docket No. **R-1197**)
(Docket No. **OP-1198**)

and
Office of Comptroller of Currency (Docket No. **04-14**)
Federal Deposit Insurance Corporation
Office of Thrift Supervision (No. 2004-30)
National Credit Union Administration

Subject: Proposed Rule – Regulation DD and Overdraft Protection Guidance

This letter reflects my family's views, and does not necessarily reflect those of my employer. If you post this response publicly, please remove my email address.

I note that my parents, who are in their 70's, are negatively impacted by the proposed rules. My entire family opposes the Federal Reserve Board's proposal to regulate bounce loans, or so-called "bounce protection," under the Truth in Savings Act (TISA). **Bounce loans should and MUST be regulated under the Truth in Lending Act (TILA).** The Board and the other federal banking regulators **MUST** also take steps beyond the proposed guidance to halt the other abuses of bounce loans, particularly bank advertisements for bounce loans that encourage consumers to use overdrafts as a credit source. If the Board is going to do things like this, it is time to abolish the Board. They aren't doing anything about payday loans, either. What good are they? We cannot understand how the Board, and other federal banking regulators, can explicitly admit that bounce loans are credit, then fail to regulate them under the key federal law governing credit disclosures. If they don't want to do their jobs, get rid of them. Bounce loans are an unbelievably expensive credit product. For example, a \$100 overdraft will incur at least a \$20 fee. If the consumer pays the overdraft back in 30 days, the APR is 243%. If the consumer pays the overdraft back in 14 days, which is probably more typical for a wage earner, the APR is 520%. Banks don't give low interest loans to businesses, either, they refer them to these loans, and VISA cards with high, high interest rates. They are hurting the economy big time.

Given the outrageously expensive cost of bounce loans, **consumers MUST have Annual Percentage Rate (APR) disclosures**. Without them, consumers have no way to compare the cost of bounce loans to other similar credit transactions, such as payday loans, pawnbroker loans, auto title loans, overdraft lines of credit, and credit card cash advances. Of all high rate lenders, WHY can banks offering the most expensive form of credit avoid the need to disclose the single and most critical piece of credit information? **Why is this kind of corruption allowed?** Contrary to the Board's suggestion, consumers do find APR disclosures useful, with one study finding over 80% of consumers aware of APRs and 60% finding TILA disclosures helpful. More detailed comments submitted by the National Consumer Law Center and others, which we agree with, contain suggestions for how to disclose the APR in a meaningful way.

Proposed guidance issued by federal banking regulators does not go anywhere near far enough in protecting consumers from the harm of bounce loans. Can't you fire these clowns, and get some competent people in? Banking regulators MUST implement stronger protections for consumers, and those protections must be legally enforceable by both regulators and the consumers who are harmed by bounce loans and payday loans. There is no private right of action in TISA as there is in TILA, WHICH IS RIDICULOUS.

Stronger protections are EXTREMELY necessary to **prohibit banks from marketing bounce loans as a credit source**, essentially encouraging consumers to write bad checks for their credit needs, and without a firm commitment to cover them. These consumers, often low-income and vulnerable, are likely to use bounce loans repeatedly, and become trapped in a cycle of debt. We need a regulation that would invalidate any loan balance with over 20% annual interest. Also, banks often do not seek affirmative consumer assent when imposing bounce loans, and consumers are charged these expensive bounce fees without their consent or any prior warning. Plus, you can't get a live body on the phone any more, at least not one capable of thinking, all you can get is idiots or the computer. It takes months of repeated correspondence and phone calls to convince a bank they might actually have made a mistake. Banking regulators MUST get off their lazy asses and mandate that positive, informed consumer opt-in is required for any form of credit, including bounce loans. Banks are thieves, it's time to beef up protection and support for Credit Unions, too, and make it so that people can set up a credit union in 4 months, instead of 2 years.

Stronger protections are also needed NOW to **restrict bounce loans made accessible through automated teller machines (ATMs) and debit card transactions**. There is simply no justification for allowing a consumer to overdraw an account for a transaction that is on-line, real time, for which the banks can confirm funds availability. The bank's stated reasons why bounce loans benefit consumers – to save them from merchant penalties, late charges, and embarrassment – are completely inapplicable to ATM and many debit transactions. Their statements are lies.

We are not opposed to overdraft programs as such. We are only **opposed to bounce loans that are exorbitantly expensive, that are not accompanied by APR disclosures, that are imposed without affirmative consumer consent, or that are advertised to consumers as an easy source of credit.**

Without TILA coverage and stronger consumer protections, bounce loans will undermine years of efforts to bring unbanked consumers into the financial mainstream. Previously, consumer advocates and the Dept of the Treasury had agreed that bank accounts are safer and cheaper than going to check cashers, or keeping large amounts of cash at home. Given the risk of incurring multiple overdrafts through unfair bounce loan products, we can no longer make that claim – going to a check casher might just be cheaper and safer than risking expensive bounce loan fees. The irresponsible actions of banks in offering bounce loans will lead to more unbanked consumers, and result in economic chaos in many parts of the country.

Sincerely,
/S/

Cc: Senator Christopher Dodd, Senator Joseph Lieberman, Representative John Larson