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Subject: Electronic Fund Transfers

Comments:

Date: Mar 26, 2009

Proposal: Regulation E - Electronic Fund Transfers
Document ID: R-1343
Document Version: 1
Release Date: 12/18/2008
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Banking rules regarding overdrafts need to be changed. Charging someone $25 or $35 when they go over their account limit by as little as $1 is outrageous. Allowing banks to choose the order they process multiple withdrawals allows the banks to maximize the overdraft fees assessed. For example, if someone has $95 in their account, and they have 5 debits coming through the same day for the following amounts ($96, $1, $1, $1, & $1) the bank can choose to process the largest amount first, thereby forcing the consumer to incur 5 overdraft fees at $25 each, or $125 in total fees on an account that is only $5 overdrawn. This is outrageous. Alternatively, if the smallest withdrawals were processed first, there would only be one overdraft fee of $25 incurred. While the $25 fee is wildly excessive given that the bank is in effect loaning their customer $5, the $25 is much better than the $125 which would be incurred if the bank can choose the order to process the debits. My suggestions: 1) Overdrafts are effectively a short term loan, so let the banks charge 10% of the value of the amount overdrawn up to a $25 maximum per day. 2) Require the bank to notify the account holder when the account is overdrawn (text message to a cell phone is one option). 3) Allow everyone to "opt out" or "opt in" the overdraft process. 4) Make the default for everyone "opt out" and only let banks enroll people when the account holder asks to participate. 5) Require banks to process daily debits in the order smallest to largest instead of how they are currently doing it, which is the reverse. The banks will still be able to assess overdraft fees this way, but will not be able to exploit this loophole to consumer's detriment. Banks will howl at these changes and swear the sky is falling and free checking will be a thing of the past, but don"t believe them. Banks compete for deposits and that"s not going to change. They may not be able to exploit people as they once could, but they will still be able to make a fair return for their services. Cheating the public shouldn"t be allowed.