

From: Matthew I. Stearns, NH  
Subject: Electronic Fund Transfers

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Comments:

Greetings,

I am a colleague working for RBS Citizens, N.A. and I recently read that the Fed is accepting comments relating to overdraft fees. Please accept the following as an insider-look at bank overdraft fees and their impact upon consumers.

1. Overdraft fees at Citizens Bank are on a tier system, meaning when you overdraw your account, the fees get worse as you have more 'offenses'. The first time an account falls below zero, each item that posts to the account after the balance reaches zero is assessed a \$22.00 charge. The second time it happens, the charge is raised to \$37.00. The third occurrence and beyond results in a \$39.00 per item.
2. The maximum number of charges capped at seven (7) per day (or a maximum of \$273.00 per day).
3. If a customer remains overdrawn for 6 consecutive business days, a \$35.00 "sustained overdraft" charge is assessed. After 11 consecutive business days of remaining overdrawn, a second \$35.00 "sustained overdraft" charge is assessed.
4. Customers who have multiple items posting to their account in a one day period will see the items "clear" in descending order from the highest dollar figure to the lowest. For instance, if a customer buys two cups of coffee at \$3.00 per cup, a pack of gum for \$1.00, and their mortgage posts the same day for \$1000.00, and if there is only \$900.00 in the account, the customer will incur four (4) overdraft fees even though the customer had more than enough to pay for the coffees and gum. This is because the mortgage is applied first since it is the largest dollar amount and the other three items 'clear' after the account is already overdrawn. It is clear that the customer seemingly incurs 3 'extra' overdraft fees in this scenario.
5. Customer who use their debit card to make a purchase will sometimes experience an error being made by the merchant, usually when the merchant applies the wrong dollar amount to the card. Usually, the merchant realizes the error and reverses the purchase. However, the item still remains 'on hold' at the bank along with the purchase for the correct amount. In cases where the customer's account balance is low, the additional improper hold (which just means that those funds are unavailable to use for other purchases/transactions) causes overdrafts when other items clear at the close of the business day.
6. Business Accounts do not have a cap on the number of overdraft fees that they receive in one business day.
7. Citizens Bank recently made changes to it's Reg CC hold policy. Typically, Citizens used to accept check deposits and allow those checks to cover items posting to the customer's account after hours that same evening. About 1.5 years ago, a change was made that holds those checks until the start of the next business day, which causes a greater number of overdraft fees for customers who live 'paycheck to paycheck'

8. Citizens Bank's online banking interface does NOT show items that are 'on hold', or unavailable. This causes customers to wrongfully assume that they have more money than they do.

9. Citizens Bank's changes to their Reg CC policy cause customers who have overdraft protection to experience a greater number of 'draws' from their overdraft line of credit. In a sense, the bank is forcing customers who have overdraft protection to access their line of credit even though they have valid funds in their bank account. Note that the overdraft line of credit carries a daily interest rate of 18.00%.

10. Citizens Bank has recently invoked an 'unspoken policy' whereby all service fee rebates must be approved by Regional Manager, or a Retail Sales Director. The 'target' that these upper management colleagues are held accountable for is to rebate no more than about 2.5% of all overdraft fees regardless of circumstances. Thus, customers who are the victim of fraud, bank error, or their own miscalculations are all subject to the same measurement. If the company is not hitting its targets, chances are that innocent customers might be stuck holding the proverbial bag despite their innocence.

Please consider these comments in confidence. Thank you for your time.

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