

From: Edgemont Neighborhood Coalition, Stanley A. Hirtle  
Subject: Electronic Fund Transfers

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Comments:

March 27, 2009

Jennifer J. Johnson  
Board of Governors of the  
Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Re: Docket No. R-1343

Dear Ms. Johnson:

Edgemont Neighborhood Coalition submits the following comments in response to the request by the Board of Governors of the Federal Reserve System for public comment on overdraft protection charges.

We support requiring banks to get agreement from borrowers before enrolling them in "overdraft protection plans." This should be part of a wholesale examination and regulation of all fees, penalties and charges.

EDGEMONT NEIGHBORHOOD COALITION, INC.

Edgemont Neighborhood Coalition, Inc. is a nonprofit community organization located at 919 Miami Chapel Road, in Dayton, Montgomery County, Ohio. The group consists of residents of the Edgemont neighborhood, a low-income African American neighborhood in Dayton, who have associated in order to foster pride in their neighborhood and address the issues of crime, youth and adult joblessness, inadequacy of educational opportunities, affordability of utilities, and business and community development.

One issue of importance of the Edgemont Neighborhood Coalition, Inc. has been the availability of affordable financial services in the community. Edgemont has been active in Community Reinvestment Act activities in order that residents have access to mainstream financial services at mainstream prices and on fair terms, and not be relegated to high-cost "fringe lenders" such as "subprime" mortgage lenders, payday lenders, rent-to-own vendors and pawnshops.

In furtherance of these goals, Edgemont has commented on proposed regulations by federal agencies and has appeared as amicus curiae in court cases involving payday lending and predatory mortgage lending. Edgemont has cosponsored conferences concerning payday lenders and their effects on the community. Edgemont supports the work of the National Community Reinvestment Coalition and of the Community Reinvestment Institute Alumni Association here in Dayton.

In addition to being a community organization, Edgemont Neighborhood Coalition, Inc. functions as a small business, operating an office, community garden and community computer center.

COMMENTS ON THE REQUESTED QUESTION

Banks should make money from interest. Penalties and fees should just cover the costs. Instead penalties and fees have become a profit center for lenders. This has resulted in what Professor Elizabeth Warren calls a "tricks and traps" model of pricing. Young people and unsophisticated people are particularly victims of this. Unfortunately banks can not be trusted to treat their customers fairly. This is bad.

We have fought against payday lenders for years. Payday lenders make high interest loans taking checks that people write on their banks. Yet the banks will not make reasonable cost loans to these same customers.

Instead banks have invented "overdraft protection" which is essentially a loan at payday loan level cost. And you haven't agreed to such a loan. They enroll you without telling you.

In November, the Federal Deposit Insurance Corporation released a study of bank overdraft programs showing, among other things, that over 75% of surveyed banks automatically enroll their customers in an overdraft program and some do not even allow customers to opt out.

Last August, the nonpartisan Government Accountability Office (GAO) released a report showing that consumers are not told about, and can't avoid, many overdraft fees. In 2007, the nonpartisan Center for Responsible Lending released a report showing that customers are paying \$17.5 billion annually in fees for overdrawing their bank accounts, up 70% from the \$10.3 billion they paid in 2004.

People should have to agree to enroll in these programs. You shouldn't have a duty to keep your bank from thinking of ways to take more of your money. You shouldn't have to be on the lookout for such things and opt out of them. They should get your approval first.

Furthermore banks should deny transactions when people don't have enough money in their account, rather than approving the transactions and running up overdraft charges or "overdraft protection" charges. They turn small overdrafts into big charges. This is not fair.

The Federal Reserve should carefully examine and limit unfair bank charges and penalties.

Thank you for your attention to our comments.

Sincerely,

StanleyA. Hirtle  
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