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Subject: Electronic Fund Transfers

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Comments:

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Comments:

I strongly urge the Federal Reserve to approve Proposal R-1343 with an OPT-IN requirement for overdraft protection. One of the main causes of multiple overdrafts is the crediting of transactions in an order other than how the consumer submitted them. The order of EFTs and other transactions should be maintained throughout the processing process (transactions submitted first should be processed and debited first, i.e. first in, first out). This just makes common sense, and while bankers say that their current practice allows for big bills like mortgage and rent to be paid rather than less important smaller bills, the evidence is clear that banks profit enormously from their manipulation of EFT processing order. It is no coincidence that banks choose to process EFTs and checks in precisely the order that maximizes lucrative revenue for them and punitive fees for the customer. Getting five \$35 overdraft fees rather than one from a single account, multiplied by tens of thousands of consumer "victims", equals billions of dollars in extra revenue that the banks take from their literally "valuable" customers. This is amoral, it should be illegal, and it needs to stop immediately. Regarding point-of-sale overdrafting: While I agree with the general assertion that people should not spend money they don't have, the default consequence of attempting to do so should not be an automatically allowed overdraft and a fee of \$35 or more. Rather, the default should be: the transaction should be denied (i.e. the consumer should not be spending money he/she doesn't have!) If I were to present the cashier with a \$20 bill to pay for a \$23 item, he/she would tell me that I don't have enough money to buy that, and I need \$3 more to afford it. The cashier would NOT tell me that I can buy it, but I need to pay an extra \$35 "courtesy overdraft fee" to do so. This would not happen because it is ridiculous on its face. Likewise, the bankers' argument that "consumers would prefer to avoid the embarrassment of having their transaction declined in favor of paying a small fee [of \$35 or more!]" is similarly laughable. If the real price of the transaction (i.e. the current price + the \$35 overdraft fee) was displayed so that the consumer saw what he/she was paying to overdraft, I would bet a federal bailout or two that almost all the consumers would decline

the transaction, if given a choice. Likewise, the only way banks can get consumers to participate in something this ridiculous is by automatically enrolling them in it and concealing its true cost until it's too late. This "courtesy overdraft" service is only a courtesy to the banks' profit margins. If consumers insist in subjecting themselves to it, then that's their prerogative, but it should be their choice, not the banks'. Courtesy overdraft and any similar such program should be "OPT IN", and the default configuration for checks, ATMs and debit cards should be transaction denial, with the OPTION for the consumer to sign up for courtesy overdraft if the CONSUMER (not the bank) desires. The issue of "overdrafts" based on "holds" is particularly irksome for me, because this goes completely against the notion of "don't spend what you don't have". In this situation, one is charged an overdraft fee even though an overdraft has not occurred; rather a gas station or rental car agency has "held" a large sum of money in limbo in anticipation of an upcoming charge, but the bank doesn't recognize that and instead simply charges a fee. This practice should be outlawed as well; there is no justification for banks penalizing consumers for overdrafts that never actually happen. Thank you for considering my comments in your deliberation of this issue, and I strongly urge that the legislation be approved.