

From: Kent Payne, Princeton, NJ
Subject: Electronic Fund Transfers

Comments:

Jan 28, 2009

Federal Reserve Board Email comments

Dear Email comments,

In addition to overdrafts caused by the small fees charged by each bank (the Card issuing bank where the account holder has his or her account and the ATM operating Bank,) all overdrafts are subject to a number of Bank practices that are designed to pad the banks profits based on Overdrafts.

First as to the over drafts caused by the fees for using anothe bank"s ATM machine. When ATM machines first existed, and the cards first existed, only the bank that issued the card could charge a fee for using another Bank"s machine. That was fair because the bank where the customer had an account and which issued the card had to pay fees for that transactions made by its customers on other Bank"s machines. Those original fees where designed to help encourage people to use their own bank"s ATM machines so all banks could predict how much cash to load into each machine for a weekend, a holiday weekend, etc... . Then the Fed. foolishly agreed to permit the second band whose machine is used by the customer of another bank to charge a fee for the same reason. If the Banks that issued my cards are paying fees and passing those fees along to me when I use a third bank"s machine for this purpose their is no excuse for the Fed having ever permittin the third bank whose machine i use to charge a pure profit fee for the same purpose. Also in the 15 or more years since the Bank whose machine I might occasionally use was granted the right to charge me a pure profit fee for using their machine with a card from another bank, ATM machines have come a long way and can now hold far more cash when full so running out of cash over a weekend or holiday weekend has become far less of an issue.

First revoke the priviledge wrongly granted to the bank whose machine jhas been used to charge a pure profit fee when the customer of another bank uses their machine. The customer"s card issuing bank will still charge a fee for the purpose of covering fees charged to the customer"s bank for transactions made on other bank"s machine. This couls reduce the cost of using another Bank"s machine from as much as \$5.00 down to a limit of \$2.00. This could preven some overdrafts when someone"s balance calculation is only off by a small amount!

As for overdrafts casued by these ATM withdrawals or similar small amounts, I have too many times had a check arrive at my banks (one of those banks I have been with for 20 years) and the bank has both paid the check and charged me an overdraft fee. Years ago, an assistant manager at the brach where I opened my account and every other branch of my bank and many others banks would call each account holder whose account was originated at that branch with a courtesy notice that they had unfortunately had an an overdraft/Insufficient Funds problem overnight or over the weekend and tell them that if they brough in (specificied amount) during the hours before the next business day"s

banking would begin, they could avoid any further overdrafts. I know that many banks have far fewer branch personnel per customer today and don't expect a courtesy telephone call anymore. However I believe that any customer who is willing to give their bank their e-mail address should be automatically notified of the problem as soon as the problem arises in the Bank's computer. That way customer's who can bring in enough money to prevent further overdrafts will have that option. You see, both the bank I have been with for 20 years, and the huge national bank I opened an account with almost two years ago use pre-sorted bulk rate mail from the U.S. postal service to notify customers of overdrafts/insufficient funds issues. You see the problem is if a person has a small overdraft and then the Overdraft fee of (Typically \$35 - which should be criminal the way Usury is Criminal) is added to that small overdraft amount. thus creating a second overdraft on a very small amount that would have been paid were it not for the tiny overdraft and the huge overdraft fee.

This is exacerbated by people who don't use their checking account frequently not being notified by the bank in a timely manner. When the bank used to call shortly after opening on the very first business day after the overnight processing session revealed an overdraft that was wonderful. An e-mail sent immediately upon the the bank's computer's verifying the existence of an overdraft would be wonderful. What is not wonderful is banks intentionally padding their profits at \$35 per submission of an insufficient funds item and not bothering to send a notice for 4-7 (calendar) day and then sending them via the slowest method so it can take 10-14 (Calendar) days from the time the problem arises until the time notification arrives at the address of the customer (account holder) who may not even be home! In that time the Bank is rejecting an item for Insufficient Funds and charging \$35 the first time they reject it and then receiving a second submission of the same check two (business) days later and charging another \$35 for the rejection of that item. Even if the person has made a deposit electronically, received a deposit in the form of an Electronic Funds Transfer (Wages/Salary, Tax Refund, etc...) after the problem began it is possible that the deposit is insufficient to cover items continuing to be submitted on that account and continuing to be charged based on the number of times the check is submitted rather than on the number of items submitted. So if a Customer has one small overdraft and no notification of the overdraft an even smaller check that would have been paid were it not for a small arithmetic error is also rejected, and then a deposit made electronically becomes insufficient to cover all checks/debits made against that new deposit can lead to \$35 in fees in some cases and \$ 70 in other cases. It is a cascade of tumbling balance and inability to get the balance back into the black for many people. If one small overdraft causes a total of ten overdrafts 5 of which are submitted once and 5 of which are submitted twice that is 15 times the bank charges \$35 fees or \$5025 in Insufficient Funds fees plus any amount the bank paid out initially despite the insufficient funds on the first one or two items that were submitted. I agree banks want to encourage accurate arithmetic by their account holders in maintaining ledgers. I agree banks want to discourage careless arithmetic in the same situation.

I Disagree with the notion that banks should be permitted to charge more than \$10 per submission (\$20 in fees on items submitted twice) (or

\$15 flat fee for items submitted when the account has a small amount of insufficient funds and the bank chooses to pay the check/debit and obtain repayment from the customer later.)

There are several ways to effect a much better system around accounts with Insufficient Funds. First, as I said banks should be required to e-mail any customer willing to provide an e-mail address the moment the Bank's computers have verified the existence of an Insufficient Funds situation on an that account Holder's Account.

Second, Banks should be required to deny any Point of Purchase or online Debit Request submitted by a retailer that exceeds the funds available in the account at no charge to the customer (it is entirely done by computers and costs the bank nothing. In addition no Credit Card Issuer charges the account Holder for rejecting a purchase electronically when the person has insufficient Credit.) Third, all Banks should be required to deny withdrawals by their own account holders from the bank's own ATM Machines that exceed the amount of funds available in the account.

Fourth, No bank should be permitted to send electronic approval for an ATM withdrawal to another bank when the amount of the withdrawal, plus the fees charged by the bank dispensing the funds plus the fee charged by the bank where the account is based (and which issued the card) combine to exceed the available balance in the account the customer wishes to withdraw the funds from. Finally the banks need to be much more closely and in some cases severely regulated on this and many other matters. The banks and so many other industries have proven that the notion that "an Unfettered Market in which all parties acting in their own best interest will lead to the outcome which is best for all" is a theory than many would like to believe and which is absolutely not true when some organizations and interests have more influence, more capital, and and more resources. Banks, especially, need to be reigned in and if we need Federally mandated Insufficient Funds fees, etc... than that is the necessary requirement to balance the clearly unequal power over the relationship between each Bank and its Account Holders.

One last, I believe very good, suggestion. Make all banks add one feature to their online banking service to minimize the risk of overdrafts. Let accountholders input each check they are getting ready to write (or have written and are willing to void) before he or she mails, or hands over that check. The Bank's Web Banking Site would tell the Account Holder what effect each check would have on their balance.

Then the Account holder could finalize their intent to send that check or cancel it. The same could be done for Payments made using the online Banking payment feature and debits made by Electronic Funds Transfers from elsewhere. Thus Account Holders could figure out whether their payments would cause an overdraft in advance, and once they confirmed the intent to make a payment the bank would hold those funds unavailable to the Account Holder and reserved to cover the incoming Check, Debit, Online payment, or Debit. If the Customer changed their mind they could simply access their account again and remove the lock on the funds for a specific transaction. Internet banking is a product of a very versatile technology that has continually developed in new and often unpredicted way. The technology exists now for people to stop

using paper checking account ledgers and to use a Ledger with their Online Banking Account. The bank would even be able to warn customers of potential overdrafts if the bank is aware of an scheduled Electronic Funds Transfer out of the account and by reserving funds for specific upcoming transactions the customer would not be able to access funds that could cause an overdraft if the customer chose to make that reservation of funds. The great benefit of such a feature would be that the only arithmetic errors of online ledgers would be committed by the Bank's Computer Server thus avoiding overdraft fees altogether. If the bank accidentally gave an account holder too much money and later realized it the account holder would only be responsible to refund the bank's error but not for any overdrafts caused by the bank's error. If the bank accidentally credited the Account holder with less than the Account Holder deserved, the bank would have to repay the difference to the Account belonging to the customer within one business day of discovering the less than full credit. But no more arithmetic errors could occur as the bank's Computer Server would take the information input by the customer and make the calculations immediately.

So that is my take on the problems and potential solutions related to Insufficient Funds/Overdraft Fees and how they can presently cascade into a very expensive problem that might cost low income people 1/4 to 1/2 of their monthly income to correct and really that no one should have to pay regardless of income. The bank have abused those who need banking and know that all the other banks are just about equally abusive. Now it is time for the people's representative to step in and place restrictions proscriptions, and prescriptions equally on all banks that recognize and honor the right of banks to make a reasonable profit, but at the same time prevent all future abuses designed to raise reasonable profits to exorbitant padding of the bank executives pay and the dividends paid to share holders at the expense of individual and small business owners who are being robbed to create those increased profits!

Please allow me the chance to opt-in to overdraft services. This is the only way that I will truly feel protected.

Sincerely,

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