

From: Vanessa Moore, Goleta, CA

Subject: Electronic Fund Transfers

Comments:

Board of Governors of Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Federal Reserve Board Director:

This is a parasitic system that preys upon the most vulnerable sector of our society to make profits for the most secure. It is wrong and it can not be allowed to continue. It is generally termed unfair practices and includes holding deposits longer than necessary and clearing daily transactions from the highest to the lowest, which often allows the bank to charge more fees than are warranted. Banks and credit unions are collecting \$17.5 billion per year in abusive overdraft fees, higher even than the \$15.8 billion extended in funds to cover the overdrafts.

Turning a profit by blowing a family's entire budget because they are short a few dollars is wrong and it is an industry wide practice. It needs to be made illegal as it is quite clear that right and wrong has no bearing on turning a profit regardless of the greater societal cost.

Prevailing overdraft practices artificially drive up fees which furthers the poverty cycle and makes life even more difficult for those already struggling to survive.

Banks and credit unions now enroll many of their account holders into the most expensive option for covering overdrafts—an option customers generally don't want and didn't ask for—and leave them without the information they need to protect their funds. Under these systems, financial institutions routinely approve uncovered transactions without warning their customers of a deficit in their accounts, and charge an average \$34 fee for each incident, even when the uncovered purchase is for just a few dollars. Further more there is no easy way to opt out if these programs or have fees reversed as they are considered terms of service. In order to use the service of the bank which in this day and age is more of a necessity than an option, you must agree and be held to these abusive policies.

Fees vastly outweigh shortfalls. Almost half of all overdrafts (46%) are triggered by debit cards at the ATM or the point of sale. These overdrafts could be easily prevented with a warning or denial. Most debit point-of-sale overdrafts are small, averaging less than half this \$34 fee, meaning that these overdraft loans cost nearly \$2 for every dollar advanced to cover the shortfall.

There are many more possible ways to approach this. The families whose incomes are going to the banks as well as their tax dollars need some protection. It is these families that fuel the

economy through their spending, who bail out the banks with their taxes, and who feel the brunt of every economic downturn. It is these families that need the protection of the law so they can exist, not the banks.

I support the proposed requirement that would require financial institutions to obtain consumers' affirmative consent (or opt-in) before any overdraft fees or charges may be imposed on consumers' accounts.

Banks should get explicit permission before enrolling customers in the most expensive overdraft system, automatically covering overdrafts and charging high fees, and should be stopped from using unfair practices to increase their overdraft fees.

Sincerely,

Vanessa Moore
Goleta, CA 93117