

From: Seth Merritt, Williamsburg, VA
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:

Several years ago I had a bank account at a predecessor of SunTrust. I had moved most of my banking to another institution, but still had an account open at SunTrust. I went to the bank to close the account, and was persuaded by the young bank officer to leave the account open in case I wanted to take advantage of their services later. I did so, not knowing that the account had an overdraft protection built in. I withdrew some money, and went under the account minimum. This incurred a fee, which eventually drove the account into negative territory, at which point they started charging me overdraft fees. I did not find out about it until I went to apply for a car loan and found that I had a poor credit rating. I paid off the negative balance and closed the account, and my credit score eventually recovered.

I certainly take responsibility for being somewhat careless with how I handled the bank account, and should have followed my initial plan to cancel the account. However, I felt that the bank had used deceptive tactics to charge me hundreds of dollars in unnecessary fees, and I had not been informed up front of how the account was structured or what the risks were.

Every month when I pay my credit card bill, I look at the blank on the return slip inviting me to initial on a line to set up the "overdraft protection plan". I feel lucky that consumer advocates have educated me on the risks of these plans, and I always decline. However, I think the design of the return slips is plainly deceptive and clearly designed to lure unsuspecting customers into signing their initials, perhaps thinking it is part of the standard bill payment process.

What's worse is that there is no clear way to cancel the overdraft "protection" plan - it's a Hotel California. Opt-in mechanisms need to be more transparent, and consumers need the ability to opt-out. It's only common sense, and if lenders claim that they need the money they earn from these deceptions, then they should start charging more up-front fees, making it more clear to all of us the true costs of our consumption.

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,

Seth Merritt
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