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CONSUMER POSITION STATEMENT / PROPOSAL REGARDING OVERDRAFT CHARGES INCURRED AS A RESULT OF PAYMENT AUTHORIZATION HOLD AS OPPOSED TO PAYMENT DEDUCTION.

The Federal Reserve Bank of San Francisco (FRBSF) states that when a consumer authorizes a Company to collect a direct payment, the authorized Company prepares payment information for ACH System, who collects and sorts the information. The Clearing House then transmits the account and payment information to the consumer's bank. In turn the consumer's bank debits the consumer's account. In "offline" POS transactions, where a signature is required, the sales charge is submitted by the retailer along with charge slips. The amount of the transaction is then deducted from the consumer's bank account upon receipt of the actual sales charge from the retailer. It is understood that an authorization from a POS, EDT or any Visa Check Card transaction is not a finalized transaction, and in some cases the amount submitted may be higher than the actual amount of purchase. If an authorization for a higher amount is requested, the amount will be adjusted to the actual amount of purchase at the time the consumer's bank receives the processed information in order to finalize the transaction and deduct the actual amount from the consumer's account. What banks are doing when a Visa Check Card transaction is made by the consumer is placing a hold on the available funds for the amount of the purchase authorization, sometimes greater than the actual purchase. Until the hold is released, any other transaction presented to the account, including checks, may be dishonored, or may be paid at the expense of an overdraft fee, if the account lacks any additional funds to pay for those items. The consumer should have the funds available in the account to cover the authorization amount, otherwise, the bank will reflect a negative balance should the authorization amount exceed the account balance. This will occur even if the authorization amount is higher than the actual purchase, or if the authorization amount is incorrect, or perhaps even erroneously duplicated. In the meantime, if any checks are presented or debits by PIN are received by the consumer's bank against the account, the account may or will incur an overdraft charge or insufficient funds fee (NSF) in the event that the account balance

has fallen below the amount of the check or debit transaction. This will also occur if a purchase payment (previously a purchase authorization) has been received, processed and deducted from the account now exceeding the funds available, as a result of the current authorization hold, causing a negative balance. Contradictory to this bank practice, once the transaction has been processed by the bank and the funds released to the entity, the charges are now deducted (as opposed to "held") from the consumer's account, which in some cases will take 2-3 days from the date of the authorization, which reflects a transaction date on the consumer's account as having transpired up to three days after the authorization was actually made. This practice is a double standard as it allows the bank to hold funds immediately and then deduct them from the consumer's account at a later date. This creates a conflict within the consumer's account, as the funds are being manipulated to cover the one transaction two times - - at the time of authorization, and at the time of processing and payment when the funds are finally deducted from the account. A conflict is created when the following occurs: 1. Visa Check Card is used to pay for purchases, and because it carries the Visa logo it is treated like a "credit" transaction, thus, an authorization is generated and received by the consumer's bank. The bank in turn will hold the funds (for the purchase authorization) from the account balance, reducing the available balance on the consumer's account by that amount, for which funds for that purchase are available when the authorization comes through. 2. If the account balance should fall short during purchase authorizations, the available bank balance reflects a negative balance. When the authorization turns into an actual purchase deduction 2 or 3 days later, the account will incur an overdraft charge because the funds are no longer sufficient to cover the purchase deduction, even though the funds were available for that purchase at the time of the original purchase authorization. It is unfair to the consumer to be charged overdraft fees by the bank for a purchase made at the time funds were available, but processed and deducted from the account days after when account activity has changed, perhaps "new" purchase authorizations were made, causing the account balance to fall short. Even if the consumer makes a deposit to cover future purchase authorizations, the bank will still charge an overdraft fee for having exceeded the account balance during authorization, and any deposits made to cover the purchase deduction are likely to be taken for payment of the bank's overdraft charges and/or fees. This makes it very difficult for the consumer to reconcile the account, and potentially may cost the consumer hundreds of dollars in overdraft charges because the bank's practice is to hold funds for authorizations and then deduct the charges at a later date. A contradiction lies within the banks practice to hold funds and deduct funds for the same purchase on different dates, in most cases 2-3 days, and up to a five-day difference and, as a result, the account balance may become negative at the time of purchase authorization and also at the time of purchase payment and deduction. This could result in incurred overdraft charges, up to hundreds of dollars, for purchases which are reflected as paid on the account 2-3 days later after the actual transaction took place (when funds were available), because the funds are being held for other incoming authorizations, and deposits may not have posted on time to reconcile the incoming authorizations, posting of purchase payment deductions as well as the bank overdraft charges. The banks should be regulated in order to allow them to handle the payment of these transaction types one way or another, but not both. Either the purchase and payment deduction is covered by the consumer's account at: 1) time of authorization or 2) time funds are actually removed and paid from the consumer's account. It is this consumer's position that either 1) the bank should not be allowed to charge an overdraft fee for a purchase deduction that was made days after the actual authorization was obtained with sufficient

funds to cover said purchase because the bank essentially is authorizing a purchase with sufficient funds and then days later charging an overdraft fee for that same purchase because the account balance has changed due to future account activity taken place after the initial authorization such as deposits, withdrawals, and new purchases; or, 2) in the alternative, the bank should only be allowed to deduct monies from an account when the transaction has been fully processed and paid out and not during the purchase authorization as clearly the transaction has not been completed until such time as the bank receives the actual sales charge / slip from the Company or retailer. The latter instance, of course, is the appropriate course of action for these transactions, since an authorization is simply that - - an authorization request for funds, not the exchange of monies between institutions. Until such time as federal regulations are amended or implemented to protect the consumer from the snowball effect of overdraft fees and charges, the bank's policy should be to undertake an investigation as to the cause of the overdraft, whether clear negligence on the part of the consumer or whether the "system" has clearly played an adverse roll in the negative account standing, and then the bank, upon determination, should reverse any and all charges to the consumer's account if it has been found the consumer was a victim of the latter and not due to negligence.