

From: Todd Lopez, Arlington, VA
Subject: Electronic Fund Transfers

Comments:

Mar 21, 2009

Federal Reserve Board Email comments

Dear Email comments,

A friend that used to live with me last year made about \$10,000. Of that, about \$1,000+ went to overdraft fees at Bank of America. Nearly 10 percent of his income went to paying these fees. BOA would even let him get cash from the ATM when his account was already negative. This isn't a young man spending money on TVs, computer games and alcohol.

This is a guy whose whole paycheck was consumed by a phone bill, food and cigarettes. On at least three occasions, his account would be \$300 in the hole, and when his paycheck would come in via direct deposit, he'd be left with \$30 in his account. That's pretty depressing for a young man who worked as hard as he did at a low-paying job. Now he simply pulls his entire paycheck out of his account as cash and spends that. It's safer for him to simply not use a bank.

Before ATMs, direct deposit, and automatic bill pay from your checking account, it was easy to know what money you had in your account. The only way to get money out was to go to the bank and get cash, or to write a check. You could keep a running total on your checkbook register -- which was with you if you were writing a check -- and expect it was accurate.

Today, because it is not practical to carry a register with you along with your debit/credit card, consumers have come to expect that approval for a transaction means that there is money in their account. This is not true. Banks are approving transactions when accounts are actually negative, and charging consumers for these loans. Consumers should be charged for such loans, but consumers should also be offered the option to not participate in those programs.

Representatives from the banking industry claim that providing overdraft protection, without offering consumers the option to not participate, represents greater "choices" for the consumer. They also claim it is easy for consumers to always know what is in their accounts. I disagree with this as well.

Today, money pulled from your account as a result of debit card transactions are not pulled in the order they are debited. Money is pulled in descending order of value -- a technique by the banking industry to ensure maximum profit from possible overdrafts.

Bills you pay by providing your debit card number to a service provider such as a cable television company, a phone company, the electric company or other utilities never pull at the same time each month -- but rather within windows that span several days.

During testimony before the Subcommittee on House Financial Institutions and Consumer Credit Committee on Financial Services March 19, Kenneth J. Clayton, on behalf of the American Bankers Association, included the following in submitted testimony: "... consumers can simply keep track of transactions and balances which is easier to do now than ever before by phone, the Internet, ATM, or handheld device."

Debits made to your account do not immediately reflect on your balance inquiry. In fact, "pending" debits may take several days before they are reflected in the methods cited by Clayton. Which means that while your handheld device may deliver to you a message indicating several hundred dollars in your account, you may actually have much less than that. Even ATMs do not always report an accurate balance from your account because of pending transactions. In fact, ATMs will allow you to continue to withdraw cash even if your account is zeroed out.

Banks need to offer you the option to either participate or not participate in their overdraft protection programs. That banks are reaping great profit from consumers who use these programs is not an indication that consumers want them. Consumers use these programs because they are not given the opportunity to not use them. That is not a choice.

Every time you use a debit card, your bank should do a check on your available funds and decline a transaction based on your available balance -- to include "pending" transactions -- if you have chosen to not participate. Consumers can choose if they would rather face the embarrassment of not being able to buy a cup of coffee, or if they would rather pay \$40 dollars for it due to overdraft fees.

Debit cards can be used at all the same locations as a credit card, and as far as I know, credit cards can be declined. The same can be done for debit cards.

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

Sincerely,

Mr. Todd Lopez
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