

From: M.W. ARAGAO INVESTMENT ADVISORS, LLC, Michael W. Aragao  
Subject: Electronic Fund Transfers

---

Comments:

To Whom It May Concern,

Thank you for the opportunity to comment on this very important issue. I am an investment advisor from Cumberland, Rhode Island. Over the past years, I have been informed of, what I would term, 'abuses' made by large banks, specifically Citizens Bank (owned by Royal Bank of Scotland) with respect to their 'overdraft' protection policy. I will use Citizens Bank as an example throughout this letter as they are prominent in my community. To my knowledge, and by verifying with Citizens Bank, they charge a \$39 fee for each transaction, whether check, debit, or ATM, to process transactions that are in overdraft. This occurs regardless of the size of the transaction; ergo, if the account balance the day of a transaction is \$1.00 short, a \$39.00 fee is charged (per transaction) to cover that \$1 short-fall.

While certainly there is culpability for a consumer and surely there are abuses that occur by consumers, however by doing a general search on the Internet for "Citizens Bank" and "overdraft protection", one can see that situations as such are not isolated incidents and that the victims can be responsible consumers. A consumer writes in to the rip-off report ([www.ripoffreport.com](http://www.ripoffreport.com)) that he had a balance of \$200 dollars in his checking account on a Tuesday. He then used his Visa check card 3 times unknowingly pushing himself into the red. He admits, he spent more money than he had in his checking account and expected to pay a nominal fee for such. Because of the "overdraft protection" with Citizens, all 3 charges were approved. On the next day, he was charged 7 fees totaling \$231.00 dollars. When he questioned the customer service representative at Citizens bank, he was told he was charged \$33 for both pre-authorizations AND the actual charge on the account; as in, they charge 2x\$33 for each charge made on the card for every charge the day he went over. (Pre-authorizations, apparently, are "holds" that are put on an account at places like gas stations and restaurants, where the place of business wants to make sure the card is not going to be declined before the services are provided. They do not show up on an online account or monthly statement.

In order to be fair, I questioned a branch manager at a local Citizens Bank branch. She did confirm that such policies do exist at the Bank. However, she did say that a new policy only allows them to charge 7 overdraft fees in a given day; so, the max someone could pay was \$273.00. I asked her if it were common for bank customers to have that many overdrafts in a given day, and she responded in the affirmative. I also questioned her on the bank's policy of listing debits before credits on a given day. Apparently, banks such as Citizens, regardless of the time of day, list all debits to an account during that day before deposits. She informed me that this policy exists for "fee income purposes". I thereby interpret that as the bank tries to get consumers to overdraft their accounts, in order to collect these fees. So, even if a

customer's account does receive cash a deposit on a given day, it is not 'available' until after all withdrawals/debits are made on that day.

As an investment advisor, I tend to break everything down into percentages. I cannot help but imagine a scenario as such: Let us say the same gentleman as above had \$200 in his account. That day, he knew his paycheck was going to be direct deposited, so he went and made 7 transactions. Let's say the first transaction was for \$201.00, generating an overdraft fee. The corresponding 6 transactions totaled \$50, again each one generating an overdraft fee. His paycheck was also deposited that day and was for \$500.00. So, according to Citizens Bank policy, even though his pay was direct deposited the same day, for 'fee income purposes', he was charged \$237.00 in overdraft fees. In essence, the bank was lending money to this customer in order to cover his charges. This customer needed \$51 for 24-hours (again, this 24-hours is arguable, as a deposit was made). He was charged \$237 for this \$51. That equates to a 464.71% loan for one day. Such ludicrous-percentage loans are prohibited for 'payday' loan companies; why are they not for bank overdrafts? When I asked the same branch manager if such a scenario was plausible, she again responded in the affirmative.

In the current state of the economy, the trust the general public once had in banks has been shattered. Additionally, every dollar counts for most Americans. While I do feel there should be some type of convenience fee or other reparation made by a consumer who overdrafts their bank account, I do strongly feel that they should not be taken advantage of, which is exactly what is happening. If they want the option to opt-out - and have their debit card declined, or their check returned not paid - they should be able to opt-out. It is not good for the macro-economy as the distrust in banks will continue to smolder, causing for less deposits in banks. The Fed, in my opinion, has been making tough, good decisions since the crisis in our economy occurred, and I am confident that you will continue to do so with respect to tighter regulations on bank over draft fees.

Thank you for your time. Please feel free to contact me directly for future discussion on this issue.

Respectfully submitted,

Michael W. Aragao  
M.W. ARAGAO INVESTMENT ADVISORS, LLC