

From: Rod Calvao

Subject: Debit Card Fees

Date: Jul 23, 2004

Proposal: Study on Disclosures of Debit Card Fees
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Comments:

@@@July 23, 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue
Washington, DC 20551

Re: Docket No. OP-1196 Request for comment on the adequacy of disclosures on debit card fees

Dear Ms. Johnson:

San Diego County Credit Union, with \$2.5 billion in assets serving 158,000 members from 20 branches, and our web site at sdccu.com, appreciates this opportunity to comment the adequacy of existing Electronic Funds Transfer Act, EFTA, and Regulation E disclosures in the Federal Reserve System Board's study on debit card fees. Our Board of Directors recognizes active involvement in the regulatory process will allow us to continue to enhance and refine the services we offer to meet our members' needs.

ISSUE FOR COMMENT

The Board requests comments on the extent to which these existing disclosures are adequate and effective in making consumers aware of the circumstances under which account-holding institutions impose a fee, if applicable, when a consumer uses a debit card to make a purchase at point-of-sale (POS).

A. Initial Disclosures

Currently members receive initial disclosures at the time the member contracts for an EFT services as required by Regulation E 205.7(b) and the Electronic Funds Transfer Act, EFTA, section 905(a). Members receive a Special Services

Schedule that lists fees assessed by the credit union for ATM and POS transactions. The disclosure also acknowledges additional fees may be assessed by the merchant. Adding additional disclosure will not enhance consumer awareness.

B. Periodic Statement Disclosures

Our periodic statements, as required by Regulation E 205.9(b) and EFTA section 906(c), provide the member with information on each ATM and POS transaction. Credit union fees are disclosed as a separate line item preceding the ATM or POS transaction. Your proposal suggests aggregating fees associated with ATM and POS transactions on the periodic statement, but does not address other service fees that may be assessed and reflected on an account's periodic statement. Insufficient funds, overdraft protection transfers, stop payments, and return items, to name a few, also have fees that may have a significant impact on a consumer's ability to manage their funds. Creating a higher priority for fees associated with debit card and POS transactions does not give the consumer the full story. Redesigning the periodic statement to highlight fees in this manner will only confuse the consumer.

C. Disclosures contained in Receipts Provided at Electronic Terminals

Currently, when a consumer initiates a PIN based transaction, the merchant bank will request an authorization for the transaction amount, which is approved by the cardholder's financial institution. If approved, another request would be sent to settle the transaction. If a PIN based fee, which is assessed by the account-holding institution, had to be disclosed before the transaction is initiated, change would need to be made with all PIN based processors, financial institutions, merchant banks, and merchant terminals. The fee would need to come back as part of the initial authorization and the member would need to respond if they want to proceed with the transaction due to the fee or not. This process would slow down the transaction process and could cause confusion with both the merchant and consumer. The fee information could not be imbedded on the card since fee structures are subject to change. All PIN based fees are clearly disclosed to members in initial disclosur

es and on their periodic statements. Cardholders are aware of any potential fees when they initiate a PIN based transaction and requiring account-holding institution fees to be disclosed at the point-of-sale would add confusion for the cardholder.

We commend the Federal Reserve Systems Board's efforts to make the process of evaluation of regulatory framework inclusive. If you or other Board staff has questions about our comment, please give Compliance Administrator Cynthia Abram or me a call at (877) 732-2848.

Sincerely,

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