

From: CCraig@hughesfcu.org on 07/27/2004 08:11:26 PM

Subject: Regulation DD - Overdraft/Bounce Protection Services

July 27, 2004

Via Electronic Mail

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave.
Washington, D.C. 20551

Re: Regulation DD; Docket No. R-1197

Dear Ms. Johnson:

This comment letter is submitted on behalf of Hughes Federal Credit Union in response to the notice of proposed rulemaking ("Proposed Rule") and request for public comment by the Federal Reserve Board ("FRB"), published in the Federal Register on June 7, 2004. The Proposed Rule would amend Regulation DD (Truth in Savings) to require depository institutions to provide additional information about overdraft protection programs. The Proposed Rule also would address issues regarding the marketing of such programs. Hughes Federal Credit Union appreciates the opportunity to comment on this important matter.

We support the proposal to provide additional information to account holders about the types of transactions for which overdraft fees may be imposed. However, we urge the FRB to clarify this provision. It is very difficult to describe every type of transaction in which an overdraft fee may be imposed. A Fee Schedule that accurately and clearly states what type of fees may be imposed for overdrafts should meet the requirements of this provision. We believe it is important for the FRB to clarify how this provision affects depository institutions that currently offer and disclose fees for overdraft services. In particular, we believe it is essential for the FRB to clarify in the final rule that this provision does not require institutions to re-disclose or provide additional information to existing members for those overdraft services.

We strongly disagree with the proposed provision to require a monthly and year-to-date total for returned item and overdraft fees, for the reasons stated below. First, the existing disclosures clearly inform consumers about the amount of and specific type of fee incurred by the consumer. For example, a consumer must be informed on a periodic statement that a returned check fee of \$X was assessed against the account, or if multiple checks were returned, that a total of returned check fees of \$X were assessed against the account. Second, the FRB has provided no evidence for why overdraft fees should be treated different from other fees assessed in connection with account services provided to consumers, and why it is necessary to provide a monthly and year-to-date total for these fees. The only rationale offered by the FRB for requiring this approach is "to highlight the overall cost to consumers" and to "better inform consumers about the cumulative effect of using an overdraft service on a regular basis." In fact, it is likely that consumers are more aware of these fees

than other fees because, in addition to disclosing these fees at the time an account is opened and on periodic statements, institutions notify consumers, in writing, if a check or other item overdraws an account. Third, there is no evidence or any suggestion provided by the FRB that account-opening disclosures or periodic statement disclosures do not clearly inform consumers about the amount of the fee assessed in the event of an overdraft. If the FRB believes consumers are unable to tally an itemized list of, for example, three overdraft fees of \$X each, or to review prior periodic statements to determine the aggregate amount of such fees, this issue should be addressed through the use of consumer educational materials.

We also are concerned that by singling out overdraft fees for "special treatment," that the FRB proposal has the potential to detract from information given to consumers about other fees and to confuse consumers about other account costs. For example, other fees may be charged for account services, such as for ATM withdrawals, balance inquiries, stop payment requests, etc. These fees can be equally or more important to many consumers. By selecting overdraft fees for special treatment, the FRB has created a regulatory scheme that highlights these fees over other fees with the result that consumers may be confused about the total fees paid for a periodic statement cycle or for a calendar year. Finally, we believe the costs associated with modifying systems to implement these changes, particularly the proposed requirement to create a "running" total of fees for the calendar year, would impose significant costs on institutions, with little if any benefit resulting from the change. As a result, we respectfully urge the FRB to withdraw this proposed change.

Hughes Federal Credit Union appreciates the opportunity to comment on this important matter. If you have any questions concerning these comments, or if we may otherwise be of assistance in connection with this matter, please do not hesitate to contact Carla Craig, at 520-794-8341 X2050.

Sincerely,

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