

The Effect of Clearing the Largest Check

This is from a real statement of a Norwest customer. These were the only transactions during this period. It has been organized here according to date and Norwest's policy of clearing the largest check first. A customer's statements are usually not so easy to understand.

On April 30, four checks come in. By clearing the largest first (the \$20.72), the three smaller checks bounce and the customer is charged \$63 for three overdrafts. Note that the three smaller checks (\$7.23, \$6.35, and \$6.15, total = \$19.73) could have been paid from the \$24.68 balance and left only the largest (\$20.72) to bounce. Note also that the same day the customer is charged the \$63, she has two SSI direct deposit checks entered, as she had regularly done.

<u>DATE</u>	<u>TRANSACTION</u>	<u>AMOUNT</u>	<u>BALANCE</u>
4/25/97	Beginning balance		\$158.42
4/26/97	Check	\$12.31	\$146.11
4/29/97	Card Purchase	\$13.41	\$132.70
4/29/97	Check	\$47.11	\$ 85.59
4/29/97	Check	\$20.74	\$ 64.85
4/29/97	Check	\$19.08	\$ 45.77
4/29/97	Check	\$12.52	\$ 33.25
4/29/97	Check	\$ 8.57	\$ 24.68
* 4/30/97	Check	\$20.72	\$ 3.96
* 4/30/97	Check	\$ 7.23	- \$ 3.27
* 4/30/97	Check	\$ 6.35	- \$ 9.62
* 4/30/97	Check	\$ 6.15	- \$ 15.77
5/1/97	Overdraft Charge	\$ 63.00	- \$ 78.77
5/1/97	Direct Deposit - SSI	\$470.00	\$ 391.23
5/1/97	Direct Deposit - SSI	\$470.00	\$ 861.23
5/1/97	ATM w/draw	\$ 20.00	\$ 841.23