

Review and Testing of Overdraft Notices

Submitted to:
Board of Governors of the Federal Reserve System

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Submitted by:



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EXECUTIVE SUMMARY

Background of Project

In May 2008, the Board of Governors of the Federal Reserve System (the “Board”) published proposed amendments to Regulation DD, which implements the Truth in Savings Act. The new proposed rules would have required that depository institutions (other than credit unions) disclose to consumers information about the overdraft coverage provided for their accounts, as well as consumers’ right to opt out of that coverage.¹ They also would have required that each statement period, institutions disclose to their customers aggregate dollar amount totals for overdraft fees and returned item fees, both for the statement period as well as for the calendar year to date. The Board’s proposal included model forms that demonstrated how institutions could disclose this information effectively. In order to ensure that these forms were as clear as possible for consumers, the Board contracted with Macro International Inc. (“Macro”) to assist with the review and consumer testing of these disclosures.

Revision of Forms Based on Public Comments

Following the public comment period for this proposal, Macro worked with the Board to revise the forms based on comments that were received by depository institutions, consumer groups, and other public stakeholders. At the same time, Macro conducted a review of the form that focused on design, heuristics, and readability. As a result of this process, a number of changes were made to the original model form released with the proposal, including:

- In several places in the model form, changes were made to the language and vocabulary to make the text clearer and more understandable to consumers. For example, in the second sentence of the form the phrase “if there is a debit to your account when your account does not have sufficient funds” was changed to “if you try to spend or withdraw more money from your account than is available.”
- Because some commenters felt that the form should emphasize that payment of overdrafts by depository institutions is discretionary, an additional sentence was added stating that the bank is “not required to pay every overdraft.”
- Because some consumer group commenters felt that information about fees and consumers’ right to opt out should be made more prominent, headings were added to those sections of the form. A sentence disclosing consumers’ right to opt out was also changed to boldface.
- Some consumer group commenters also suggested that the form should more clearly communicate that consumers could potentially save money by opting out. For this reason, the sentence “You may save money by opting out” was added to the form.

¹ Separate revisions to Regulation AA proposed by the Board would require banks to provide customers with the right to opt out of overdraft coverage.

- In the paragraph about opting out of coverage, a sentence was added explaining that even if consumers opt out, they may still overdraw their account or pay overdraft fees “under limited circumstances outside our [the bank’s] control.”
- Because some commenters were concerned that consumers would not fully understand the potential negative consequences of opting out, a paragraph was added to the model form indicating that if consumers opt out their checks may be returned unpaid, ATM withdrawals and debit card transactions may be declined, and they may be charged fees by merchants and/or the bank itself.

In addition to revising the original model disclosure form, as part of this initial review process Macro and Board staff developed a shorter version of the disclosure that could be provided either on periodic statements or as part of a “stand-alone” notice to be mailed to consumers each time an overdraft fee was incurred. This “short form” disclosure included an explanation of consumers’ right to opt out of overdraft coverage and information about how to contact the depository institution to do so.

Consumer Testing of Overdraft Disclosure Forms

After completing its initial review and revision of the model forms, Macro engaged in two rounds of cognitive interviews with consumers to test the effectiveness and clarity of the revised forms. The first round of testing was held in Washington, DC on August 26 and 27; the second round was held in Milwaukee, WI on September 15 and 16. Each round consisted of nine 60-minute interviews with consumers who had checking accounts and identified themselves as the key financial decision-making in their household. Participants were recruited by telephone; screening quotas were used to ensure recruitment of participants with a range of ethnicities, ages, and education levels.

Interview participants were asked to review both the one-page disclosure form (the “long form” disclosure) and a mock periodic statement containing the “short form” disclosure developed in Macro’s initial review. After they finished their first reading of each document, participants were asked a series of follow-up questions to test their understanding of the content and to determine how they felt about overdraft coverage and their right to opt out.

In addition to the long form disclosure and mock periodic statement, participants were also asked to review a “stand-alone” disclosure that could be provided each time they overdraw their account. They were also asked to indicate which of three potential formats for displaying aggregate overdraft and returned item fees on a periodic statement they found easiest to understand.

The following is a summary of key findings from the two rounds of consumer testing:

Understanding of Terms of Overdraft Coverage

- Participants in both rounds understood that the “overdraft coverage” described in the disclosure meant that the institution would cover its customers’ overdrafts for a fee. Almost all understood that they would be automatically signed up for this coverage unless they opted out.

- The majority of participants in both rounds understood how this overdraft coverage would work—that is, they understood what would happen if they overdrawed their account through an ATM, debit card, recurring debit, or check transaction.
- Participants in both rounds reacted negatively to some of the terms of the coverage, particularly a) the fact that a fee could be charged for an overdraft of as little as \$1; b) the additional daily fee of \$5; and c) the fact that there was no limit to the amount of fees that could be charged.
- About two-thirds of participants felt that receiving the “long form” disclosure once at account opening was sufficient. The remaining participants thought that this information should be provided to consumers at least once more during the account relationship.

Right to Opt Out of Overdraft Coverage

- The disclosure forms shown to participants in the first round offered participants both the right to opt out of overdraft coverage for all types of transactions (a “full opt-out”) and the right to opt out of coverage for ATM and debit card transactions but to keep coverage on other types of transactions (a “partial opt-out”). However, most participants did not understand that they had two different choices; most never noticed the language describing the partial opt-out.
- Whether or not participants would want their bank to cover an overdraft depended on the specific transaction in question. For example, almost all participants who were asked indicated that they would want their cable bill covered, but would want a debit purchase in a bookstore to be refused due to insufficient funds.
- Few participants in either round expressed interest in a full opt-out, because they wanted to be sure that more important transactions were covered. In many cases, the transactions that participants felt were most important were those that they made by check or through a recurring debit.
- About half of participants indicated that if offered the opportunity to “partially opt out” of overdraft coverage (i.e., to opt out of coverage for ATM and debit card transactions only), they would do so.
- Participants in both rounds generally understood that if they exercised a “partial opt-out” of overdraft coverage, ATM and debit card transactions could be refused, in which case they would have to provide another form of payment. However, most participants in the second round incorrectly assumed that check transactions might also be refused, when in fact overdrafts through check transactions would still be paid by the bank under a partial opt-out.
- About two-thirds of the 18 participants indicated that if they were going to opt out, they would prefer to do so by calling their bank. Most of the remaining third said that they would prefer to opt out online. Only two of 18 participants indicated that they would choose to opt out by mail using a tear-off form.
- Some of the model forms shown to participants included language that even if consumers opted out, they might still overdraw their account in circumstances “outside of our [i.e.,

the bank's] control.” However, most participants did not notice this sentence, and assumed that if they opted out of overdraft coverage on certain types of transactions, those transactions would always be refused if there were insufficient funds to cover them. Most participants did not understand what might be meant by “circumstances outside of our control.”

Periodic Statement and the “Short Form” Disclosure

- When reviewing the mock periodic statement in the interviews, most participants in both rounds noticed and understood the “short form” disclosure that indicated that they had been charged overdraft fees and had the right to opt out of overdraft coverage.
- Almost all participants in both rounds indicated that the short form disclosure on the periodic statement contained all the information they would need to make an informed decision about whether to opt out of overdraft coverage in light of getting the full notice at account opening. A few participants felt that more details about the coverage should be included, including what types of transactions are covered and what fees are charged.

Alternative Ways of Covering Overdrafts

- In the first round, most participants did not notice language in the long form disclosure that indicated that “other less costly overdraft services” were available through the depository institution. As a result, in the forms used in the second round this information was made more prominent through the use of a heading. This change was effective; all participants in the latter round noticed this information, and all but one indicated that they would inquire with the depository institution about these alternative types of coverage.

Aggregate Fee Disclosure

- When asked which of three formats for displaying periodic and year-to-date overdraft and returned payment fees they found clearest, 13 of 18 participants chose a tabular format. Three chose a format that provided the information in four separate rows, while two chose a more narrative format.

Reaction to Stand-Alone Notice

- When asked whether they would rather receive information about opting out of overdraft coverage on their periodic statement or on a separate document mailed to their house each time they overdrew their account, participants were divided. In the first round, nearly all participants indicated that they would prefer to receive a stand-alone overdraft notice because it would provide the information in a more timely manner. In the second round, however, half of the participants were concerned that they might throw a stand-alone notice away without reading it carefully and therefore said they would rather have the information appear on their periodic statement.

SECTION I: INTRODUCTION

Background

For a number of years, the Board of Governors of the Federal Reserve System (the “Board”) has been concerned that consumers do not adequately understand the costs of overdraft coverage services offered by banks or how this coverage operates generally. For this reason, in May 2008, the Board published proposed amendments related to overdraft coverage to Regulation DD, which implements the Truth in Savings Act. The proposed rules required that depository institutions (other than credit unions) disclose to consumers information about their overdraft coverage and the right to opt out of that coverage.² This disclosure would be required both before a bank could impose any fees for covering overdrafts (e.g., at account opening) and in each month that a fee is charged. The Board’s proposed rules included a model form that institutions could use to satisfy their disclosure obligations.

The Board’s proposed amendments also required that depository institutions disclose to their customers for each statement period aggregate dollar amount totals for overdraft fees and for returned item fees, both for the statement period as well as for the calendar year to date. Again, the Board provided model forms as examples of acceptable ways that depository institutions could disclose this information.

Because these model forms would constitute a “safe harbor” for institutions that use them, the Board felt that it was important that they be as clear as possible to consumers. For this reason, the Board contracted with Macro International Inc. (“Macro”) in March 2008 to assist it in the development and testing of model forms related to overdraft coverage. Macro began by advising the Board on the development of the sample forms that were released with its May 2008 proposal. Following the public comment period, Macro worked with Board staff to revise the forms based on comments that were received by depository institutions, consumer groups, and other public stakeholders. Macro then engaged in two rounds of cognitive interviews with consumers to test the effectiveness and clarity of the model forms, and made appropriate revisions to the format and language used.

Structure of this Report

This report provides a summary of the work that Macro has carried out for the Board on this topic. Section II describes the revisions that were made to the model forms prior to consumer testing based on feedback received by the Board during the public comment period. Section III then describes the methodology, findings, and implications of the two rounds of consumer testing conducted by Macro researchers.

² Separate revisions to Regulation AA proposed by the Board would require banks to provide customers with the right to opt out of overdraft coverage.

SECTION II: REVISION OF MODEL DISCLOSURE BASED ON PUBLIC COMMENTS

Following the May 2008 release of its proposed revisions to Regulation DD, the Board received over 600 comments from depository institutions, consumer advocacy groups, and other public stakeholders. The Board also received over 1,500 comment letters to the proposed Regulation AA provisions addressing consumers' right to opt-out of coverage. While many of these comments focused on the policy issues outlined in the proposal (such as the requirement that consumers be given the right to opt out of overdraft coverage), some also related to the disclosure requirements and model forms. Following the close of the comment period, Board staff provided Macro with a summary of these comments. Macro and Board staff then worked collaboratively to make appropriate revisions to the model forms.

In addition to making revisions based on public comments, Macro also conducted an expert review of the form that focused on design, heuristics, and readability. The aspects of the form that were analyzed included:

- The level of vocabulary used, to make sure that it was understandable to general consumers;
- The wording and language used, to see whether sentences could be made shorter or simpler; and
- The format of the form, to see whether the page could be structured to guide readers' attention to the most important information.

The original model form included with the Board's May 2008 proposal (referred to in the proposal as Sample Form B-10), is provided as Appendix A to this report. The following changes were made to Sample Form B-10 before the initial round of testing, based on Macro's review of the form and public comments received by the Board. The format and wording of the form after these revisions were made is shown in Appendix F1.³

- The phrase used to refer to the overdraft program described in the model form was changed from "overdraft services" to "overdraft coverage." This change was made because a) some consumer organizations were concerned that referring to the coverage as a "service" implied that it benefits consumers; and b) other commenters believed that consumers might confuse the program being described with the "other overdraft services" referenced later in the form.

³ One additional difference between these two forms is that Sample Form B-10, because it was intended as a template for financial institutions to use, does not provide information about a specific overdraft coverage program. For example, Sample Form B-10 does not list specific fees, but only shows the way in which these fees should be described. The form shown in Appendix F1, on the other hand, was intended for use in consumer testing. In order to make the form as realistic as possible, it contains information specific to the overdraft coverage offered by a fictional bank called Solar Bank.

- In several places in the model form, changes were made to the language and vocabulary used to make the text clearer and more understandable to consumers. For example, in the second sentence of the form the phrase “if there is a debit to your account when your account does not have sufficient funds” was changed to “if you try to spend or withdraw more money from your account than is available.”
- Several commenters felt that the form should emphasize that payment of overdrafts by depository institutions is discretionary. For this reason, an additional sentence was added to the first paragraph: “However, we are not required to pay every overdraft.”
- In order to make information about fees and consumers’ right to opt out more prominent, headings were added to those sections of the form. The sentence disclosing consumers’ right to opt out was also changed to boldface.
- A sentence was added to the paragraph about opting out of coverage explaining that even if consumers opt out, they may still overdraw their account or pay overdraft fees “under limited circumstances outside our [the bank’s] control.”
- Sample Form B-10 originally included a sentence that stated, “We also offer less costly overdraft payment services that you may qualify for, including a line of credit.” Because one of the most common types of overdraft protection is a link between a checking account and another account with the same bank, this sentence was amended to read, “We also offer less costly overdraft payment services that you may qualify for, including *transferring funds from another account with us* or obtaining a line of credit.”
- Because some industry commenters were concerned that consumers would not fully understand the potential negative consequences of opting out, a paragraph was added to the model form indicating that if consumers opt out:
 - Their checks may be returned unpaid;
 - ATM withdrawals and debit card transactions may be declined;
 - If their check is returned unpaid, the bank will charge them a fee and they may also have to pay a fee to the merchant; and
 - If their transaction is declined they will have to provide another form of payment.
- Because some consumer group commenters said that consumers might not understand that opting out of overdraft coverage might save them money, a sentence was added to the model form stating, “You may save money by opting out.”
- A number of industry commenters expressed concern that it would be overwhelming for consumers to receive all of the information in Sample Form B-10 every statement period that an overdraft fee was charged. Some also noted the additional cost to depository institutions that would have been incurred, since including this information would increase the length of periodic statements that are provided to consumers. As a result, Macro and Board staff developed a shorter version of the

disclosure that was intended to be provided either on periodic statements or as a “stand-alone” notice to be mailed to consumers when an overdraft fee was incurred. This “short form” disclosure included the following information:

- A note to consumers that they had been charged an overdraft fee;
 - A disclosure of consumers’ right to opt out of overdraft coverage;
 - An explanation that even if consumers opt out, they may still overdraw their account or pay overdraft fees “under limited circumstances outside our [the bank’s] control”;
 - If applicable, a disclosure that other less costly ways of covering overdrafts are offered; and
 - Information about how to contact the bank to opt out of overdraft coverage.
- For use in consumer testing, Macro developed both a mock periodic statement and a stand-alone notice that demonstrated how the “short form” disclosure could be provided to consumers. These documents are provided as Appendices F2 and F3, respectively.

After revisions had been made to the original disclosure form and the “short form” had been developed, Macro proceeded to the next phase of the project, which was focused on consumer testing of these model forms. This testing is addressed in the following section of this report.

SECTION III: COGNITIVE TESTING OF OVERDRAFT DISCLOSURE FORMS

Methodology

Once revised model forms had been developed as described in Section II, Macro tested these forms with consumers through two rounds of in-depth cognitive interviews. The goal of these interviews was to assess the extent to which these disclosures were effective in communicating information to consumers about the terms of their overdraft coverage and their right to opt out.

Interview participants were recruited by telephone using a structured screening instrument developed collaboratively by Macro and Board staff. Participation was limited to people who were the primary financial decision-maker in their households, and who currently have a checking account. Respondents who currently work for a bank or credit union were excluded from participation. Other screening questions ensured the recruitment of participants with a range of ethnicities, ages, and education levels. The recruiting screener used for both rounds of interviews is provided as Appendix B; Appendix C provides detailed information about the characteristics of participants in both rounds.

Interviews were approximately 60 minutes long, and were based on an interview guide developed collaboratively by Macro and Board staff. Most of the interview focused on participants' review of two documents:

- The one-page disclosure form (referred to below as the “long form” disclosure) that described the overdraft coverage and customers' right to opt out; and
- A mock periodic statement for a fictional bank (“Solar Bank”) that included a) a transaction list that showed that overdraft fees had been charged; b) a summary of aggregate overdraft and returned payment charges for the statement period and calendar year-to-date; and c) the “short form” disclosure described above in Section II.

While the specific interview questions that were asked were slightly different between the two rounds of testing, the basic structure of all interviews was as follows:

- Participants were first asked to review either the long form disclosure or the periodic statement. They were asked to “think aloud” while they read the document, and to let the interviewer know if they had any questions or saw anything that they found particularly confusing, surprising, or interesting.
- Once participants completed their initial review of the document, they were asked two types of follow-up questions:

- Comprehension questions, to test their understanding of the disclosure content (such as, “If you opted out of coverage but then tried to withdraw more money from an ATM than you had available in your account, what would happen?”)
- Attitudinal and preference questions, to collect information about how consumers felt about overdraft coverage and their right to opt out (such as, “Given what you have read here, would you opt out of overdraft coverage?”)
- Participants were then asked to review the other document while thinking aloud, and were then asked more follow-up questions. The order in which participants were shown the long form and periodic statement was varied between interviews, to control for possible learning effects.
- After reviewing the periodic statement, participants were shown three potential formats for how aggregate overdraft and returned payment fees could be displayed on a periodic statement, and asked to choose the format that they found to be clearest.
- Participants were also shown a “stand-alone” document that provided the same information as the short form disclosure on the periodic statement, but would be mailed to consumers each time they overdrew their account (as opposed to once per statement period). Participants were then asked whether they would prefer receiving this information on their statement or as a stand-alone document.

The actual interview guides used in the two rounds of testing are provided as Appendices D and E to this report.

FIRST ROUND OF COGNITIVE INTERVIEWS IN WASHINGTON, DC (AUGUST 26-27, 2008)

Disclosure Materials Tested

Macro conducted nine cognitive interviews in Washington, DC on August 26 and 27, 2008. As described above, participants in these interviews were shown four documents:

- A one-page “long form” disclosure about overdraft coverage and their right to opt out (shown in Appendix F1);
- A mock periodic statement including a “short form” disclosure about their right to opt out of overdraft coverage (Appendix F2);
- A separate, stand-alone overdraft notice that would be mailed to them each time they overdrew their account (Appendix F3); and

- A set of three options for how aggregate overdraft and returned payment charges could be displayed (Appendix F4)⁴; and

Key Interview Findings

Reaction to “Long Form” Disclosure

Understanding of Terms of Overdraft Coverage

- All participants understood what was meant by the word “overdraft.” At least two, however, initially thought that “overdraft coverage” referred to a link between their checking account and a savings account. This misconception seemed to be based on participants’ experience with their own depository institutions.
- After reading this form, participants understood that as part of this coverage they would be charged a fee in return for the institution paying their overdrafts. When asked to define “overdraft coverage” in their own words, some representative responses were:
 - “If I write a check that bounces, they will cover the check and charge a fee.”
 - “You will be covered if you have an overdraft.”
 - “They pay the overdraft, but then I have to pay them back plus the fees for doing it.”
- When asked about a scenario in which they tried to take out more money from an ATM than was available in their account, about half of participants understood that they would be allowed to do so and that they would subsequently be charged an overdraft fee. The other half of participants thought that the institution would not allow them to overdraft their account at an ATM, even if they had overdraft coverage.
- When asked what would happen if they overdrew their account as a result of using a check, almost all participants correctly indicated that the institution would pay the overdraft and they would be charged a fee.
- Almost all participants understood that they would automatically be enrolled in the overdraft coverage described in the long form disclosure; one, however, thought that she would have to actively sign up if she wanted the coverage.

Other Participant Reactions

- When reading the long form, several participants said that some of the terms of the coverage were unfair, particularly a) the fact that a fee could be charged for an overdraft

⁴ Of the three options, B and C were the models provided in Sample Form B-11 of the Board’s May 2008 proposal. Option A was based on how these fees are commonly provided by depository institutions currently.

of as little as \$1; b) the additional daily fee of \$5; and c) the fact that there was no limit to the amount of fees that could be charged.

- Most participants were not surprised that a depository institution would offer overdraft protection of this type. One, however, said that she wouldn't expect the institution to "do her a favor" like this.
- Most participants felt that it was sufficient to get the information on the long form just once at account opening. A few, however, said they would want to get this information at least once more—particularly after they were charged an overdraft fee.
- One participant suggested that the information about opting out of coverage should be moved above the information about fees to make it more prominent.

Right to Opt Out of Overdraft Coverage

Understanding of Opt-Out

- At least two participants initially had difficulty understanding the term "opt out". One did not know what the phrase meant; the other thought it meant to sign up for the program—the opposite of its actual meaning.
- When asked what would happen if they opted out of coverage and then made a transaction by debit card that would have overdrawn their account, most participants correctly indicated that the transaction would be refused. Several incorrectly thought that as a result they would be charged a fee by the depository institution and/or the merchant.
- When asked what would happen if they set up recurring payments for a utility bill and subsequently did not have sufficient funds to cover the payment, about half of participants believed that even if they opted out of overdraft coverage, the depository institution would pay the bill and charge them an overdraft fee. Of those that said the institution would not pay the bill, about half thought that the institution and/or the utility company would charge them a fee.
- Most participants clearly understood the potential consequences of opting out of the overdraft coverage (for example, that they could be charged returned payment fees and could have transactions declined) and did not find them surprising. In fact, most participants knew what these consequences would be after reading only the short form disclosure on the periodic statement, which did not describe the consequences.

Reaction to Opt-Out

- Eight of the nine participants indicated that they would keep the overdraft coverage, because they wanted to ensure that important transactions went through.

- Whether or not participants wanted their overdrafts covered by their institution depended on the specific transaction in question. Almost all indicated that they would want their cable bill covered, because having this bill paid would be worth paying an overdraft fee. However, almost all said that they would not want an overdraft covered for the purchase of a book at a bookstore. One participant said that she would want overdrafts covered in all situations, while another wanted all overdrafts for check transactions covered because he was concerned about the negative impact of a bounced check on his credit score.
- All but one participant indicated that if they were going to opt out they would prefer to call their institution rather than doing so in writing. When asked whether they would prefer to opt out online, three said that they would use this method if it were offered. Participants were also asked whether they would prefer to mail in a tear-off form, if it were available. One said that he would mail in a tear-off form, while others said they would still prefer to opt out by phone or online.

Periodic Statement and the “Short Form” Disclosure

- When reviewing the mock periodic statement, all participants noticed that they had been charged overdraft fees. All assumed that the depository institution had charged them these fees because they had spent more money than was available in their account.
- Several participants noted that it was difficult to tell from the statement whether or not they had actually overdrawn their account, which made it hard to check whether the fee was accurate. Some said that for this reason they would prefer that the statement provide the remaining balance after each transaction.
- One person who saw the periodic statement before the long form initially assumed that because he was charged a fee, he must not have overdraft coverage. If someone had “overdraft coverage,” he assumed, they would not be charged any fees if they overdrew their account. After reading the long form disclosure, he understood that this was not the case.
- Most participants understood the opt-out right described in the short form disclosure when reading it. However, some subsequently forgot about this right, and later in the interviews said that no information was provided on the statement about what to do if they wanted the institution to stop covering overdrafts.
- When asked whether there was any additional information that should be provided in the statement about overdraft coverage, most said that the information that was provided was sufficient. Two participants indicated that one sentence should be repeated from the long form: one thought the sentence “We will charge you a fee of \$30 for each item that we pay that overdraws your account, including ATM withdrawals, debit card purchases, checks, and in-person branch transactions” should be included, while the other thought that the statement should say, “You may save money by opting out.”

Partial Opt-Out of Overdraft Coverage

- The long form disclosure that participants were shown also indicated that consumers could opt out of overdrafts for ATM withdrawals and debit card purchases, but continue to have their depository institution pay overdrafts for other types of transactions. However, only one of the participants initially saw the sentence describing this “partial opt-out”.
- After this sentence was pointed out to them, about one third of participants said that they would consider the partial opt-out. The remainder indicated that they still would choose not to opt out of coverage at all.
- For the most part, participants understood how a partial opt-out of overdraft coverage would work. Almost all participants correctly indicated that if they partially opted out, the institution would still pay an overdraft made by check, and would then charge an overdraft fee for doing so.⁵ Almost all also correctly indicated that they would not be allowed to overdraw their account by taking money out of an ATM if they opted out.
- At least half of participants understood why a distinction would be drawn between ATM and debit card purchases and purchases by check. For example, one commented that ATM and debit card purchases are a “computer process—an automatic thing,” so the institution should be able to decline overdrafts in those instances. A few noted that unlike with debit purchases, there would be no way for institutions to reject check payments at the time when they are made. Some participants, however, commented that they did not understand why the institution would distinguish between overdrafts through different types of transactions.

Exceptions to Opt-Out

- Both the long and short forms indicated that even if consumers opted out, they might still overdraft their account “under limited circumstances outside of our control.” However, almost none of the participants initially noticed this phrase, and when it was pointed out to them, most did not understand what it meant.
- One participant thought the phrase “limited circumstances” meant that even if he opted out, overdrafts would be paid for transactions that were particularly important, such as utility bills. One participant misread the phrase as “outside my control”; he said that transactions involving checks and online payments would be outside of her control, while the use of debit cards would be within his control.

⁵ This result was decidedly different than in the second round. In that round, only the partial opt-out choice was presented to participants, but two thirds of participants incorrectly thought that check transactions would be refused as well. It may be that participants’ understanding of the partial opt-out in the first round was artificially high, because they were asked to re-read the sentence carefully after they initially failed to notice information about this option.

Alternative Ways of Covering Overdrafts

- When reading both the long and short form disclosures, most participants did not initially notice the sentence stating that “other less costly overdraft services” were available. One person commented that this sentence should be highlighted in the long form because it was “buried in a paragraph.”
- When asked whether they would be likely to contact their depository institution to ask about these services, most participants said that they would.

Understanding of Other Disclosure Elements

- The phrase “opting out may reduce the likelihood that you will accidentally overdraw your account” was confusing for several participants. At least two thought this meant that if customers opted out of coverage they would be more careful not to overdraw their account.
- At least two participants thought the sentence “You may save money by opting out” meant that there was a charge for the overdraft coverage.
- Participants did not seem to give any importance to the phrase “we are not required to pay every overdraft,” or “at our discretion” as the latter related to partial opt-outs. They did not seem to understand that the depository institution could choose whether or not to pay any overdraft. Those that did realize that the institution had discretion often assumed that its decision would be based on the amount of the overdraft.

Aggregate Fee Disclosure

- When asked to find information on the statement about aggregate fees, participants did not have any trouble doing so.
- Most participants did not understand the difference between an “overdraft charge” and a “returned payment charge.” One participant thought that a returned payment charge was a service charge for having a bank account. Another participant thought the difference was that an overdraft charge was for transactions made with a debit card, while a returned payment charge was for transactions made with a check.
- When asked to choose the format for aggregate fees that they found easiest to understand, six participants identified option B, in which fees were provided in a tabular format. Two chose option C, which provided the information in four separate rows, while one chose option A, which provided the fees in a more narrative form.

Reaction to “Stand-Alone” Overdraft Notice

- Almost all participants indicated that they would prefer to get separate notices in the mail after each overdraft, rather than being informed on their periodic statement that they had overdrew their account. Several commented that this type of notice would be more timely, and would allow them to put more money in their account and avoid further fees.
- When asked whether there was any additional information that should be provided on this notice, several participants said that they would want to know which transaction had caused them to overdraw their account. One said that she would like the notice to show her negative balance so she would know by how much she was overdrawn.

SECOND ROUND OF COGNITIVE INTERVIEWS IN MILWAUKEE, WISCONSIN (SEPTEMBER 15-16, 2008)

Disclosure Materials Tested

Macro conducted a second round of nine cognitive interviews in Milwaukee, WI on September 15 and 16, 2008. Participants in these interviews were shown the same four types of documents as were used in the first round of testing. However, based on results from the previous round several changes were made to these documents. The most significant change was that while disclosures used in the first round offered both a full opt-out and a partial opt-out to participants, forms tested in the second round offered only the partial opt-out. This decision was made for two reasons. First, most participants in the first round had difficulty understanding that they had two options; most never noticed the language describing the partial opt-out. Second, participants expressed very little interest in a full opt-out, because they wanted at least some of their transactions to be covered.

A number of other changes were made to the long form of the disclosure based on findings from the first round of testing. These included:

- Because participants in the first round did not notice some of the information on the page, such as information about alternative ways of covering overdrafts, a number of headings were added to the disclosure to make it easier to read.
- A number of changes were made to the language used in the disclosure because of comprehension issues that became evident in the first round of testing. For example, because some participants were confused by the phrase “opting out may reduce the likelihood that you will accidentally overdraw your account,” this sentence was revised to state that if you opt out “you may pay fewer overdraft fees.”
- Other changes were made to the language to simplify it and make it more efficient; for example, “we may also charge you additional daily fees of \$5 for each day” was changed to “we will also charge you a fee of \$5 per day.”

- Because some participants in the first round confused the overdraft coverage described in the disclosure with a link to another account, a sentence was added to the first paragraph indicating that the coverage described “differs from other overdraft services we offer, such as a link to another account with us or an overdraft line of credit.”
- A prominent reference to consumers’ right to opt out was added near the top of the page, because of a concern that some people might not read the document carefully all the way to the bottom.

Equivalent changes were also made to the short form disclosure on the mock periodic statement, as well as the stand-alone overdraft notice that was shown to participants. The only change made to the aggregate fee forms was that “returned payment” charges were renamed “returned payment/NSF” charges, to more accurately reflect the terminology currently used by most depository institutions.

All documents tested in the second round of interviews are provided in Appendix G to this report.

Key Interview Findings

Reaction to Long Form Disclosure

Understanding of Terms of Overdraft Coverage

- Most participants clearly understood what was meant by the phrase “overdraft coverage”—that is, that the depository institution would cover their overdrafts in return for a fee.
- When asked what would happen if they tried to withdraw more money from an ATM than was available in their account, eight of the nine participants understood that under the terms of the overdraft coverage they would be allowed to do so and would then be charged a fee. One thought that the transaction would be refused because of insufficient funds.
- When asked what would happen if they overdrew their account as a result of using a check, all nine participants understood that the check would be processed and they would be charged an overdraft fee. One incorrectly thought that the store where the transaction took place might also charge them a fee.
- When asked what would happen if they set up recurring payments for a utility bill and subsequently did not have sufficient funds to cover the payment, eight of the nine participants thought that the payment would still go through, and that the institution would subsequently charge them an overdraft fee. One thought that the payment would be refused because “the bank has control of the account.”

- All participants understood that they would be automatically signed up for this overdraft coverage if they took no action.

Other Participant Reactions

- As in the first round, some participants responded negatively to some of the overdraft fees described on the form. Participants specifically mentioned the lack of a daily limit on fees and the \$5 daily fee as terms they felt were unfair.
- Most participants were not surprised by the fact that a depository institution would offer this type of overdraft coverage, and had some previous exposure to similar types of coverage.
- Participants generally indicated that the overdraft coverage described in the disclosure was a positive feature for those who needed it, or for particularly important transactions. One felt negatively toward overdraft coverage in general.
- Six of the participants were asked whether it would be sufficient to receive the long form disclosure when they first opened their account, or whether they would want to receive it again. Three said that once would be enough, as long as nothing about the coverage program changed. Others indicated that they would want to receive the information again—one said it should be sent out annually, one said it should be provided quarterly, and the third thought it should be provided once more after the account had been open for a few months.

Right to Opt Out of Overdraft Coverage⁶

Understanding of Opt-Out

- Seven of the nine participants understood that if they opted out and then tried to make a purchase with a debit card for which they did not have sufficient funds in their account, the transaction would not go through. All seven correctly indicated that in this instance they would not be charged a fee.
- On the first day of testing, three of the five participants incorrectly indicated that if they opted out, overdrafts through checks and recurring debit transactions would also not be covered. For the second day of testing, a sentence was added to the bolded section at the top of the page stating that these types of transactions would not be impacted by a decision to opt out (see Appendix G2). However, the addition of this sentence did not have a noticeable effect on consumer understanding; only one in four participants on the second day understood that overdrafts by check would be paid.⁷

⁶ As noted above, the “opt-out” offered in the disclosures used in the second round was equivalent to the “partial opt-out” offered in the first round.

⁷ Two different wordings were tested on the second day for the sentence indicating that check and recurring debit transactions would not be covered: a) “If you [opt out], we may still cover overdrafts for other types of transactions, including checks and recurring debits.”; and b) “[Opting out] will not affect other types of transactions, including

Reaction to Opt-Out

- After reading the long term disclosure, two-thirds of the participants indicated that they would want to opt out of the overdraft coverage. Of the three participants who indicated that they would not opt out, two said that they would probably never use the coverage but would keep it because it didn't cost any money.
- Two thirds of participants indicated that if they were going to opt out they would prefer to do it by phone; the remainder said that they would prefer to opt out online. When asked if they would prefer to mail back a tear-off form if given that option, only one said that he or she would prefer that option; others said that they would still opt out online or by phone.
- Eight of the nine participants were asked whether, if given the option, they would want to opt out of coverage for all transactions, including those made by check and recurring debit. Participants were reminded that if they did so they could be charged returned payment fees by their depository institution and bounced check fees by merchants. Three of the eight participants indicated that they would want a full opt-out of coverage, while the remaining five said that they would not want a full opt-out. Two of the three who said they would want a full opt-out indicated that they either never use checks or never overdraw their account, so they would have no need for coverage on check transactions.

Periodic Statement and the “Short Form” Disclosure

- When reviewing the mock periodic statement, all nine participants noticed that they had overdrawn their account and been charged fees for doing so. All understood that they had been charged these fees because they had made a transaction for more money than was available in their account.
- As in the first round, one participant who saw the periodic statement before the long form disclosure initially assumed that he did not have “overdraft coverage” because if he had the coverage he would not have been charged a fee. After reading the long form, he understood that this was not the case.
- In their first review of the periodic statement, seven of the nine participants saw the information about how to opt out of overdraft coverage; the other two did not notice this information.
- When asked whether there was any other information about overdraft coverage or the right to opt out that should be included in the “short form” disclosure, two participants said that it should emphasize that check transactions would still be covered even if they opted out.

checks and recurring debits. We may still cover these other transactions and charge you a fee for doing so.” There was no clear evidence that either wording was more effective.

Exceptions to Opt-Out

- The version of the long form used on the first day of testing included the following sentence: “There may be situations when, for reasons outside of our control, you can still overdraw your account through an ATM or debit card purchase.” However, none of the five participants on the first day noticed of this sentence; all assumed that if they opted out overdrafts due to ATM and debit card transactions would never be covered.
- After being asked to re-read this sentence, the five participants were asked what was meant by the phrase “reasons outside of our control.” One participant thought it meant situations when the institution did not have access to customers’ account information, while another thought it referred to instances when customers used an ATM associated with a different bank. Others were confused by this phrase—for example, one participant thought that the sentence was referring to situations out of the customer’s control—meaning situations in which payment was absolutely necessary (such as at a restaurant after a meal).
- After being informed by the interviewer that even if they opted out there might still be situations in which the bank would cover transactions made at an ATM or by debit card and charge them a fee, participants were asked whether this would impact their decision whether or not to opt out of coverage. Participants indicated that it would not impact their decision, because even if they were charged fees in some instances they would likely pay less than if they kept the coverage.
- Because most participants did not understand why overdrafts might still be paid even if they opted out, and because they indicated that this information would not have a significant impact on their decision whether to opt out, this sentence was removed from the long form after the first day of testing. However, the version used on the second day still noted that if participants opted out the institution “may” decline their transactions, and that as a result they “may” pay fewer overdraft fees. As on the first day, most participants did not notice this language and assumed that if they opted out overdrafts due to ATM and debit transactions would never be covered.

Alternative Ways of Covering Overdrafts

- Unlike in the first round, all participants noticed information about alternative ways that the depository institution could cover overdrafts. Participants understood the information in this section of the form, including what was meant by “a link to another account with us” and “an overdraft line of credit.” All but one indicated that they would inquire about these alternative methods of overdraft protection, and several said that having a link between accounts would be preferable to the overdraft coverage described in the form.
- Most participants assumed that they would have to qualify for an overdraft line of credit, and that this option might not be available to everyone. Most assumed that as long as they had a second account with this institution, they would be able to set up a link between these accounts.

Aggregate Fee Disclosure

- When asked to locate information about aggregate overdraft and returned payment charges on the periodic statement, all but one participant was able to do so.
- As in the first round, participants were unclear about the difference between an “overdraft charge” and a “returned payment/NSF charge.” Three were unsure but thought they would be charged a returned payment/NSF fee if one of their checks bounced. Others did not know when they would be charged this type of fee.
- Seven of the nine participants indicated that of the three options for displaying aggregate fee information, option B was the clearest. One preferred A, while another chose C.

Reaction to Stand-Alone Overdraft Notice

- When asked whether they would rather receive information about opting out of overdraft coverage on their periodic statement or on a separate document mailed to their house each time they overdrew their account, participants were divided. About half of the participants indicated that they would rather have the information appear on their statement, because they were concerned they might throw the other document away without reading it carefully. The other half of the participants preferred to receive the stand-alone notice, because it would be more timely.

**Appendix A:
Model Form Released with May 2008
Proposal (Sample Form B-10)**

Overdraft Services Opt-Out Notice Sample Form

We provide overdraft services for your account. This means that if there is a debit to your account when your account does not have sufficient funds, we may pay your overdraft.

There are fees associated with our overdraft services:

- We will charge you a fee of \$__ for each overdraft item that we pay, including ATM withdrawals, debit card purchases, checks, and in-person transactions.
- We may charge you this fee even if your overdraft amount is as low as \$__.
- [We may also charge you additional daily fees of \$__ for each day your account remains overdrawn.]
- [We can charge you a maximum of \$__ in fees per day and \$__ per statement period for overdrawing your account.] [There is no limit to the amount of fees we can charge you for overdrawing your account per day/per statement period.]

You have the right to opt out of this service and tell us not to pay any overdrafts. However, if you opt out you may have to pay a fee if you make transactions that are returned unpaid.

We also offer less costly overdraft payment services that you may qualify for, including a line of credit. To opt out of our overdraft service, or to obtain information about other alternatives, call us at 1-800-XXX-XXXX or write us at [insert address].

Appendix B: Recruiting Screener



Participant Screener for Federal Reserve Board Interviews

General Information and Recruiting Specifications

- Recruit 9 participants for 60-minute interviews
- Recruit 2 floaters per day, one to cover AM and the other to cover PM
- Participant stipend is \$75
- INTERVIEWERS: Ask all participants to bring their reading glasses if necessary, because they will be asked to read over several bank statements as part of the interview.

Screening Questions

- Q1: Do you currently have a checking account with a bank?
- No → *Thank respondent politely and end call.*
 - Yes → Continue
- Q2: Are you the person in your household who is responsible for making financial decisions?
- No → *Thank respondent politely and end call.*
 - Yes → Continue
 - Yes, in cooperation with my [spouse, partner, etc.] → Continue
- Q3: Do you currently work for a bank or credit union?
- No → Continue
 - Yes → *Thank respondent politely and end call.*

Screening Question	Screening Criteria:
Q4: How much money do you have currently in your checking account? a) Under \$500 b) \$500 or over	<ul style="list-style-type: none"> • At least 5 recruits must respond “a” • At least 5 recruits must respond “b”
Q5: Have you ever paid a fee to your bank because your checking account was overdrawn—that is, you spent more money than was available in your account? a) Yes b) No c) Don’t know	<ul style="list-style-type: none"> • At least 7 recruits must respond “a” to Q4

Appendix C: Participant Demographic Information

	Washington, DC August 26-27, 2008 (n=9)	Milwaukee, WI September 15-16, 2008 (n=9)	Total ¹ (n=18)
Gender			
Male	5	4	9 (50%)
Female	4	5	9 (50%)
Age			
18-25	1	1	2 (11%)
26-35	3	2	5 (28%)
36-45	1	2	3 (17%)
46-60	2	3	5 (28%)
61+	2	1	3 (17%)
Race/Ethnicity			
Caucasian	4	6	10 (56%)
African-American	3	2	5 (28%)
Hispanic	1	1	2 (11%)
Other	1	0	1 (6%)
Education Level			
Some High School	1	1	2 (11%)
High School Graduate	4	3	7 (39%)
Some College	4	4	8 (44%)
College Graduate	0	1	1 (6%)
Current Checking Account Balance			
Under \$500	5	5	10 (56%)
\$500 or more	4	4	8 (44%)

¹ Percentages may not add to 100 because of rounding.

**Appendix D:
Interviewer Guides Used in First Round of
Testing (Washington, DC)**

Interviewer's Guide for Cognitive Interviews on Overdrafts
Washington, DC August 26th and 27th, 2008

Introduction (5 minutes)

At the beginning of the interview, the interviewer will give a short introduction to the background and purpose of the interviews. The participants will be assured that purpose of the project is to evaluate the usefulness of disclosure materials, not their own level of knowledge or understanding, and that they should perform in whatever manner is typical and comfortable for them. The interviewer will also address issues of confidentiality.

Topic 1 – “Warm-Up” Discussion (5 minutes)

I'd like to start the interview by talking to you about how you use your checking account.

1. Do you have a checking account with a bank? About how long have you had that checking account?
2. Do you write checks? If so, how many checks would you estimate you use a month?
3. Do you have a debit card from your bank?
 - Do you use your debit card to get cash from ATMs? If so, how often?
 - Do you make online purchases using your debit card? If so, how often?
 - Do you use your debit card to make purchases at stores? If so, how often?
 - *(If participant uses both checks and debit cards)* How do you decide when to write a check and when to use your debit card?
4. Do you use automatic bill-payment services to pay recurring bills like telephone bills, utilities, gym memberships, etc. out of your checking account?
5. Do you pay any bills online from your checking account?
6. How do you keep track of how much money you have in your account?
7. Have you ever spent or tried to spend more money than you had in your checking account?
 - How were you trying to pay? Were you writing a check, using your debit card, making an ATM withdrawal, etc.?
 - If so, what happened? Did the transaction go through? Was it declined?
 - If the transaction went through, did your bank charge you a fee for doing so?
 - If the transaction was declined, were you charged any fees? If so, by whom?

Topic 2 – Overdraft Disclosure at Account Opening (20 minutes)

At this point in the interview I would like you to imagine that you have just opened a new checking account at a bank. When you opened the account, they gave you a number of documents to review. Imagine that one of the forms that you are given to review is this (*give participant long form of disclosure*).

8. Please look over this form exactly as you would in that situation, and “think aloud” while doing so.

When participant finishes reviewing the form and “thinking aloud,” continue with the following questions:

9. Do you have any questions about what is on this page?
 - Is there anything you find confusing or unclear?
10. Does your current bank offer a service similar to this?
 - (*If not*) Does it surprise you that a bank would offer you this service?
 - Would you consider this service a positive or negative feature of a bank account?
11. Would you do anything after reading this page?
12. What is meant by an “overdraft”?
 - *Point out the phrase “overdraft coverage.”* What does the bank mean by “overdraft coverage”?
13. What are the pieces of information that you would consider most important on this form?

Show participant the list of situations on a separate page.

14. Based on what you read here, what do you think would happen in each of the following situations: (*Note: If participant has already brought up the topic of “opting out” of overdraft services, tell him or her to assume that (s)he has not opted out.*)

In each case, probe to see whether the participant understands a) whether the bank would pay the transaction, and b) whether the bank would charge them a fee in that situation.

- a) You go to the grocery store and write a check for more money than is in your account.
 - c) You use your debit card to take money out of an ATM, but you request more than you have in your account.
15. [*If participants indicated that the bank would pay the transactions*] Do you think that the bank would always pay these transactions, or only sometimes? If sometimes, what do you think would determine whether or not the bank paid the transactions?

Take back the list of situations.

16. Imagine that you wrote a check for more money than was available in your account, which caused you to overdraw your account. Imagine that you didn’t realize that your account was overdrawn until 3 days later. After you realized what had happened, you put

more money into your account to cover the amount of the overdraft. What is the total fee that this bank would charge you?

17. *(If participant has not noticed that he or she has the option of opting out of overdraft services, point out the last sentence of the form.)* Would you want to “opt out” of the overdraft service described on this page?

- As you can see, this bank gives you the choice of opting out by phone or by writing to them. If you wanted to opt out, which of these methods would you use?
- Would you prefer the option of opting out online?
- If this form included a tear-off form that you could send back to the bank to opt out, would that make you more likely to do so?

Show participant the list of situations on a separate page.

18. Imagine that you did opt out of these overdraft services. In that case, what do you think would happen in each of the following situations?

In each case, probe to see whether the participant understands a) whether the bank would pay the amount, b) whether the bank would charge a fee, and c) whether the participant might be charged a fee by anyone else.

- b) You use your debit card to purchase something at a store, but the cost of the purchase is greater than what is in your account.
- d) You set up automatic recurring payments of your utility bills, but one month the amount of the bill paid is more than what is in your account.

19. *[If participants indicated that the bank would not pay the transactions, and that they would be stopped based on lack of funds]* Do you think that these transactions would never go through, or would the bank sometimes pay them? If the bank did pay these transactions, do you think the bank would charge you a fee for doing so?

Take back the list of situations.

20. Is there any way to ask the bank to cover overdrafts for some kinds of transactions, but not for others?

- *(If participant does not see the “partial opt out” option described, point out the sentence that describes that option.)* How likely would you be to choose this option? Why or why not?

Show participant the list of situations on a separate page.

21. Imagine that you did choose this “partial opt-out” option, and informed the bank of your decision. In that case, what do you think would happen in the following situations?

In each case, probe to see whether the participant understands a) whether the bank would pay the amount, b) if so, whether it would always pay the amount or just sometimes, and c) whether the bank would charge a fee.

- a) You go to the grocery store and write a check for more money than is in your account.

- c) You use your debit card to take money out of an ATM, but you request more than you have in your account.

Take back the list of situations.

22. *Direct participants' attention to the sentence related to "less costly overdraft payment services."* What do you think this sentence means, in your own words?

- How likely would you be to contact your bank to inquire about these other services? Would you want more information about the other options? If so, what information would you want?

23. Again, imagine that you were given this notice when you first opened your account. Would you want to be given this notice again at any point, or is once enough?

- If you would want to receive it again, how often would you want to receive it?

Topic 3 – Overdraft Disclosure on Periodic Statement (Short Form) (15 minutes)

At this point, I'm going to give you a sample monthly statement. This is a made-up statement for a fictional bank, but I want you to imagine that this is your real monthly statement for your checking account.

24. Please look over this form exactly as you normally do when your statement arrives each month, and "think aloud" while doing so.

When participant finishes reviewing the form and "thinking aloud," continue with the following questions:

25. *(If participant has not already mentioned overdraft fees):* Were you charged any fees on this account this month?

- *(If participant does not notice fees, point them out in the "Other Withdrawals and Service Fees" section)* Why were you charged these fees?

[Probe to see how well participant understands what must have happened: that is, a) (s)he spent more than was available in his/her account (in this case, through debit purchases on 7/12 and 7/31); b) the bank paid the charge anyway; and c) the bank then charged a fee for doing so.]

26. What would be your reaction if you found this fee on your checking account statement?

- Is there anything that you would do if you found this fee on your statement?

27. *(If participant seems unsure of why they were charged this fee, explain that this fee was charged because they spent more than was available in their account [debit purchases on 7/12 and 7/31], and the bank paid that charge and then charged them a fee.)* In this situation, would you want the bank to pay for the purchase and then charge you a fee?

- What do you think would have happened if the bank had chosen not to pay for the purchase? Would you have had the opportunity to provide a different form of payment?

- Imagine that the transaction that overdrew your account was your cable bill. In that case, would you want the bank to pay the overdraft even if it meant you would be charged a fee?
 - What if the transaction was a purchase at a bookstore?
28. If you did not want the bank to pay overdrafts and then charge you a fee, do you think there is any way to get the bank to stop?
- *(If participant doesn't see information on opt-out, point out the text describing the opt-out.)* Please read these two paragraphs, and describe what they are saying in your own words.
29. If this was your statement and you saw this notice, would you contact the bank to opt out of overdraft coverage? Why or why not?
30. Is there any other information about overdraft coverage or fees that you don't see here that you think should be provided on the monthly statement when an overdraft fee is charged?
31. *Show participant the account opening disclosure again.* Here, again, is the form that I asked you to imagine you were given about overdrafts when you first opened your account. You will notice that there is a lot more information on this form than is provided on the monthly statement.
- Should all of this information be provided on the monthly statement each time you are charged an overdraft fee?

Topic 4 – Aggregate Fee Disclosure (5 minutes)

32. Does this statement provide any information about the total amount of overdraft fees that you have been charged over this entire year?
- *(If participant cannot find this information, show him or her the aggregate fees.)* What is the total amount of overdraft fees that you paid this year, according to this statement?

33. What is the difference between an “overdraft charge” and a “returned payment charge”?

Show participant a sheet with three potential formats for aggregate fee disclosures. The Federal Reserve Board is planning to require that banks provide this information on their statements, but they are still trying to decide how to display this information most clearly. As you can see, the top version here is how the fees are shown on this statement. There are also these other two ways in which the information could be provided.

34. Would you find any of these clearer than the others? If so, which do you think is clearest and easiest to understand?

Topic 5 – Overdraft Notice (Short Form) (5 minutes)

Now, I'd like you to imagine that you received an envelope from your bank that contained the following piece of paper. *(Give participant the overdraft notice, and let them read it over.):*

35. In your own words, what is this notice telling you?

36. As you may have noticed, this notice consists of the same two paragraphs about overdraft coverage that appeared on the monthly statement that I showed you earlier. However, this notice would come at a different time—rather than arriving with the rest of your monthly statement, it would be sent immediately after you have overdrafted your account. Is there any other information that you think should be included on a notice like this that a bank sent out?
37. Do you think it would be more helpful to get this information in a separate mailing each time you overdrafted your account, like this, or on your monthly statement as I showed you earlier? Why?

False Close (5 minutes)

The interviewer will excuse herself briefly. At this point, the observers can suggest additional questions that they would like asked, or responses upon which they would like more elaboration from the participant.

Interviewer's Guide for Cognitive Interviews on Overdrafts
Washington, DC August 26th and 27th, 2008

Introduction (5 minutes)

At the beginning of the interview, the interviewer will give a short introduction to the background and purpose of the interviews. The participants will be assured that purpose of the project is to evaluate the usefulness of disclosure materials, not their own level of knowledge or understanding, and that they should perform in whatever manner is typical and comfortable for them. The interviewer will also address issues of confidentiality.

Topic 1 – “Warm-Up” Discussion (5 minutes)

I'd like to start the interview by talking to you about how you use your checking account.

1. Do you have a checking account with a bank? About how long have you had that checking account?
2. Do you write checks? If so, how many checks would you estimate you use a month?
3. Do you have a debit card from your bank?
 - Do you use your debit card to get cash from ATMs? If so, how often?
 - Do you make online purchases using your debit card? If so, how often?
 - Do you use your debit card to make purchases at stores? If so, how often?
 - *(If participant uses both checks and debit cards)* How do you decide when to write a check and when to use your debit card?
4. Do you use automatic bill-payment services to pay recurring bills like telephone bills, utilities, gym memberships, etc. out of your checking account?
5. Do you pay any bills online from your checking account?
6. How do you keep track of how much money you have in your account?
7. Have you ever spent or tried to spend more money than you had in your checking account?
 - How were you trying to pay? Were you writing a check, using your debit card, making an ATM withdrawal, etc.?
 - If so, what happened? Did the transaction go through? Was it declined?
 - If the transaction went through, did your bank charge you a fee for doing so?
 - If the transaction was declined, were you charged any fees? If so, by whom?

Topic 2 – Overdraft Disclosure on Periodic Statement (Short Form) (15 minutes)

At this point, I'm going to give you a sample monthly statement. This is a made-up statement for a fictional bank, but I want you to imagine that this is your real monthly statement for your checking account.

8. Please look over this form exactly as you normally do when your statement arrives each month, and “think aloud” while doing so.

When participant finishes reviewing the form and “thinking aloud,” continue with the following questions:

9. *(If participant has not already mentioned overdraft fee):* Were you charged any fees on this account this month?
 - *(If participant does not notice fee, point the fee out in the “Other Withdrawals and Service Fees” section)* Why were you charged this fee?

[Probe to see how well participant understands what must have happened: that is, a) (s)he spent more than was available in his/her account (in this case, through debit purchases on 7/12 and 7/31); b) the bank paid the charge anyway; and c) the bank then charged a fee for doing so.]
10. What would be your reaction if you found this fee on your checking account statement?
 - Is there anything that you would do if you found this fee on your statement?
11. What is meant by an “overdraft”?
 - *Point out the phrase “overdraft coverage.”* What does the bank mean by “overdraft coverage”?
12. *(If participant seems unsure of why they were charged this fee, explain that this fee was charged because they spent more than was available in their account [debit purchases on 7/12 and 7/31], and the bank paid that charge and then charged them a fee.)* In this situation, would you want the bank to pay for the purchase and then charge you a fee? Why or why not?
 - What do you think would have happened if the bank had chosen not to pay for the purchase? Would you have had the opportunity to provide a different form of payment?
 - Imagine that the transaction that overdrew your account was your cable bill. In that case, would you want the bank to pay the overdraft even if it meant you would be charged a fee?
 - What if the transaction was a purchase at a bookstore?
13. Does your current bank offer a service in which it pays overdrafts for a fee?
 - *(If not)* Does it surprise you that a bank would offer you this service?
 - Would you consider this service a positive or negative feature of a bank account?
14. If you did not want the bank to pay overdrafts and then charge you a fee, do you think there is any way to get the bank to stop?

- *(If participant doesn't see information on opt-out, point out the text describing the opt-out.)* Please read these two paragraphs, and describe what they are saying in your own words.
15. If this was your statement and you saw this notice, would you contact the bank to opt out of overdraft coverage? Why or why not?
16. Would there be any disadvantage to opting out of overdraft coverage?
- If you did opt out, what do you think would happen if you paid a bill by check but did not have enough money in your account to cover that check? *(Probe to see if participant understands that a) the payment would not go through, b) the organization to whom the check was written could charge them a fee, and c) the bank could charge them a returned payment fee.)*
17. Is there any other information about overdraft coverage or fees that you don't see here that you think should be provided on the monthly statement when an overdraft fee is charged?

Topic 3 – Aggregate Fee Disclosure (5 minutes)

18. Does this statement provide any information about the total amount of overdraft fees that you have been charged over this entire year?
- *(If participant cannot find this information, show him or her the aggregate fees.)*
What is the total amount of overdraft fees that you paid this year, according to this statement?
19. What is the difference between an “overdraft charge” and a “returned payment charge”?

Show participant a sheet with three potential formats for aggregate fee disclosures. The Federal Reserve Board is planning to require that banks provide this information on their statements, but they are still trying to decide how to display this information most clearly. As you can see, the top version here is how the fees are shown on this statement. There are also these other two ways in which the information could be provided.

20. Would you find any of these clearer than the others? If so, which do you think is clearest and easiest to understand?

Topic 4 – Overdraft Disclosure at Account Opening (20 minutes)

At this point in the interview I would like you to imagine that you have just opened a new checking account at a bank. When you opened the account, they gave you a number of documents to review. Imagine that one of the forms that you are given to review is this *(give participant long form of disclosure)*.

21. Please look over this form exactly as you would in that situation, and “think aloud” while doing so.

When participant finishes reviewing the form and “thinking aloud,” continue with the following questions:

22. Do you have any questions about what is on this page?

- Is there anything you find confusing or unclear?

23. Would you do anything after reading this page?

24. What are the pieces of information that you would consider most important on this form?

Show participant the list of situations on a separate page.

25. Based on what you read here, what do you think would happen in each of the following situations: (*Note: If participant has already brought up the topic of “opting out” of overdraft services, tell him or her to assume that (s)he has not opted out.*)

In each case, probe to see whether the participant understands a) whether the bank would pay the transaction, and b) whether the bank would charge them a fee in that situation.

a) You go to the grocery store and write a check for more money than is in your account.

c) You use your debit card to take money out of an ATM, but you request more than you have in your account.

26. [*If participants indicated that the bank would pay the transactions*] Do you think that the bank would always pay these transactions, or only sometimes? If sometimes, what do you think would determine whether or not the bank paid the transactions?

Take back the list of situations.

27. Imagine that you wrote a check for more money than was available in your account, which caused you to overdraw your account. Imagine that you didn't realize that your account was overdrawn until 3 days later. After you realized what had happened, you put more money into your account to cover the amount of the overdraft. What is the total fee that this bank would charge you?

28. (*If participant has not noticed that he or she has the option of opting out of overdraft services, point out the last sentence of the form.*) Would you want to “opt out” of the overdraft service described on this page?

- As you can see, this bank gives you the choice of opting out by phone or by writing to them. If you wanted to opt out, which of these methods would you use?
- Would you prefer the option of opting out online?
- If this form included a tear-off form that you could send back to the bank to opt out, would that make you more likely to do so?

Show participant the list of situations on a separate page.

29. Imagine that you did opt out of these overdraft services. In that case, what do you think would happen in each of the following situations?

In each case, probe to see whether the participant understands a) whether the bank would pay the amount, b) whether the bank would charge a fee, and c) whether the participant might be charged a fee by anyone else.

b) You use your debit card to purchase something at a store, but the cost of the purchase is greater than what is in your account.

d) You set up automatic recurring payments of your utility bills, but one month the amount of the bill paid is more than what is in your account.

30. *[If participants indicated that the bank would not pay the transactions, and that they would be stopped based on lack of funds]* Do you think that these transactions would never go through, or would the bank sometimes pay them? If the bank did pay these transactions, do you think the bank would charge you a fee for doing so?

Take back the list of situations.

31. Is there any way to ask the bank to cover overdrafts for some kinds of transactions, but not for others?

- *(If participant does not see the “partial opt out” option described, point out the sentence that describes that option.)* How likely would you be to choose this option? Why or why not?

Show participant the list of situations on a separate page.

32. Imagine that you did choose this “partial opt-out” option, and informed the bank of your decision. In that case, what do you think would happen in the following situations?

In each case, probe to see whether the participant understands a) whether the bank would pay the amount, b) if so, whether it would always pay the amount or just sometimes, and c) whether the bank would charge a fee.

- a) You go to the grocery store and write a check for more money than is in your account.
- c) You use your debit card to take money out of an ATM, but you request more than you have in your account.

Take back the list of situations.

33. *Direct participants’ attention to the sentence related to “less costly overdraft payment services.”* What do you think this sentence means, in your own words?

- How likely would you be to contact your bank to inquire about these other services? Would you want more information about the other options? If so, what information would you want?

34. Again, imagine that you were given this notice when you first opened your account. Would you want to be given this notice again at any point, or is once enough?

- If you would want to receive it again, how often would you want to receive it?
- Earlier, I showed you a monthly statement that included information about overdraft services. Would you want all of this information to appear on your statement every time you were charged an overdraft fee?

Topic 5 – Overdraft Notice (Short Form) (5 minutes)

Now, I’d like you to imagine that you received an envelope from your bank that contained the following piece of paper. *(Give participant the overdraft notice, and let them read it over.)*

35. In your own words, what is this notice telling you?

36. As you may have noticed, this notice consists of the same two paragraphs about overdraft coverage that appeared on the monthly statement that I showed you earlier. However, this notice would come at a different time—rather than arriving with the rest of your monthly statement, it would be sent immediately after you have overdrafted your account. Is there any other information that you think should be included on a notice like this that a bank sent out?
37. Do you think it would be more helpful to get this information in a separate mailing each time you overdrafted your account, like this, or on your monthly statement as I showed you earlier? Why?

False Close (5 minutes)

The interviewer will excuse herself briefly. At this point, the observers can suggest additional questions that they would like asked, or responses upon which they would like more elaboration from the participant.

**Appendix E:
Interviewer Guides Used in Second
Round of Testing (Milwaukee, WI)**

Interviewer's Guide for Cognitive Interviews on Overdrafts Milwaukee, WI September 15th and 16th, 2008

Introduction (5 minutes)

At the beginning of the interview, the interviewer will give a short introduction to the background and purpose of the interviews. The participants will be assured that purpose of the project is to evaluate the usefulness of disclosure materials, not their own level of knowledge or understanding, and that they should perform in whatever manner is typical and comfortable for them. The interviewer will also address issues of confidentiality.

Topic 1 – “Warm-Up” Discussion (5 minutes)

I'd like to start the interview by talking to you about how you use your checking account.

1. Do you have a checking account with a bank? About how long have you had that checking account?
2. Do you write checks? If so, how many checks would you estimate you use a month?
3. Do you have a debit card from your bank?
 - Do you use your debit card to get cash from ATMs? If so, how often?
 - Do you make online purchases using your debit card? If so, how often?
 - Do you use your debit card to make purchases at stores? If so, how often?
 - *(If participant uses both checks and debit cards)* How do you decide when to write a check and when to use your debit card?
4. Do you use automatic bill-payment services to pay recurring bills like telephone bills, utilities, gym memberships, etc. out of your checking account?
5. Do you pay any bills online from your checking account?
6. How do you keep track of how much money you have in your account?
7. Have you ever spent more money than you had in your checking account?
 - Were you writing a check, using your debit card, making an ATM withdrawal, or making another type of transaction?
 - Did your bank pay the amount of the transaction, even though you didn't have the money in your account to cover it? If so, did they charge you a fee for doing so?
 - Have you ever had a transaction or ATM withdrawal denied because you didn't have enough money in your account to cover it? Have you ever had a check bounce because you didn't have enough money in your account to cover it? In either case, were you charged a fee?

Topic 2 – Overdraft Disclosure at Account Opening (20 minutes)

At this point in the interview I would like you to imagine that you have just opened a new checking account at a bank. When you opened the account, they gave you a number of documents to review. Imagine that one of the forms that you are given to review is this (*give participant long form of disclosure*).

8. Please look over this form exactly as you would in that situation, and “think aloud” while doing so.

When participant finishes reviewing the form and “thinking aloud,” continue with the following questions:

9. Do you have any questions about what is on this page?
 - Is there anything you find confusing or unclear?
10. *Point out the phrase “overdraft coverage.”* What does the bank mean by “overdraft coverage”?
11. Does your current bank offer a service similar to this?
 - (*If not*) Does it surprise you that a bank would offer you this service?
 - Would you consider this service a positive or negative feature of a bank account?
12. Would you do anything after reading this page?

Show participant the list of situations on a separate page.

13. Based on what you read here, what do you think would happen in each of the following situations: (*Note: If participant has already brought up the topic of “opting out” of overdraft coverage, tell him or her to assume that (s)he has not opted out.*)

In each case, probe to see whether the participant understands a) whether the bank would pay the transaction, b) whether the bank would charge them a fee in that situation, and c) whether the participant might be charged a fee by anyone else.

- a) You use your debit card to take money out of an ATM, but you request more than you have in your account.
- b) You go to the grocery store and write a check for more money than is in your account.
- d) You set up automatic recurring payments of your utility bills, but one month the amount of the bill paid is more than what is in your account.

Take back the list of situations.

14. *(If participant has not noticed that he or she has the option of opting out of overdraft services, point out the section of the form related to opting out.)* As you can see, this section of the form talks about how you can choose to “opt out.” Can you tell me what that means in your own words?
- Would you want to “opt out” of the coverage, as described here?
 - As you can see (*point to the last sentence*), this bank gives you the choice of opting out by phone, online, or by writing to them. If you wanted to opt out, which of these methods would you use?
 - If this form included a tear-off form that you could send back to the bank to opt out, you would prefer to send the form back rather than opting out online or by telephone?

Show participant the list of situations on a separate page.

15. Imagine that you did contact the bank to opt out of overdraft coverage as described here. In that case, what do you think would happen in each of the following situations?

In each case, probe to see whether the participant understands a) whether the bank would pay the amount, b) whether the bank would charge a fee, and c) whether the participant might be charged a fee by anyone else.

- b) You go to the grocery store and write a check for more money than is in your account.
 - c) You use your debit card to purchase something at a store, but the cost of the purchase is greater than what is in your account.
 - d) You set up automatic recurring payments of your utility bills, but one month the amount of the bill paid is more than what is in your account.
16. *[If participant indicated for ‘c’ above that the bank would not pay the transactions, and that they would be stopped based on lack of funds]* For situation ‘c’, do you think there are any situations in which the bank would pay the transactions even if you opted out? If the bank did pay these transactions, do you think the bank would charge you a fee for doing so?
17. *[Direct participants’ attention to the sentence indicating that even if he/she opts out, overdrafts on ATM and debit card transactions may still occur.]* Please read this sentence and tell me what it means in your own words.
- Does this make you any more or less likely to want to opt out of overdraft coverage?

Take back the list of situations.

18. As you can see, the option that you are provided here to opt out of overdraft coverage does not affect any transactions you make by checks. *Point out (and read aloud, if necessary) sentence in disclosure that indicates that even if consumers opt out, overdrafts will be paid on checks.* What if you could opt out of overdraft coverage for all transactions, regardless of how they were made? In other words, if you could tell the bank to never pay any overdrafts, including when you use checks, would you do that?
- *If participant says no:* Why not?
 - *If participant says yes, or that they don't know:* If you did tell the bank never to pay any overdrafts, this would mean that if you didn't have enough money in your account to cover a check, it would "bounce" and be returned unpaid. Knowing that, would you still want them to stop paying these overdrafts?
19. *Direct participants' attention to the section titled "Other Ways We Can Cover Your Overdrafts."* What do you think this section means, in your own words?
- How likely would you be to contact your bank to inquire about these other services?
 - Do you think that everyone can automatically sign up for these other services, or will only some people qualify?
 - Do you think more information about the other options should be included on this form? If so, what information should be included?
20. Again, imagine that you were given this notice when you first opened your account. Would you want to be given this notice again at any point, or is once enough?
- If you would want to receive it again, how often would you want to receive it?

Topic 3 – Overdraft Disclosure on Periodic Statement (Short Form) (15 minutes)

At this point, I'm going to give you a sample monthly statement. This is a made-up statement for a fictional bank, but I want you to imagine that this is your real monthly statement for your checking account. For these purposes, you can assume that the math is correct.

21. Please look over this form exactly as you normally do when your statement arrives each month, and "think aloud" while doing so.

When participant finishes reviewing the form and "thinking aloud," continue with the following questions:

22. *(If participant has not already mentioned overdraft fees):* Were you charged any fees on this account this month?
- *(If participant does not notice fees, point them out in the "Other Withdrawals and Service Fees" section)* Why were you charged these fees?
23. What would be your reaction if you found these fees on your checking account statement?
- Is there anything that you would do if you found these fees on your statement?

24. *(If participant seems unsure of why they were charged this fee, explain that this fee was charged because **they made debit purchases at CVS and Barnes & Noble on 7/12 and 7/31 that overdrafted their account, and the bank paid those charges and then charged them a fee each time.**)* In this situation, would you have wanted the bank to pay for the purchase and then charge you a fee?
- What do you think would have happened if the bank had not covered the overdraft?
25. If you did not want the bank to pay overdrafts for your debit card purchases and then charge you a fee, do you think there is any way to get the bank to stop?
- *(If participant doesn't see information on opt-out, point out the text describing the opt-out.)* Please read this section, and describe what they are saying in your own words.
26. If this was your statement and you saw this notice, would you contact the bank to opt out of overdraft coverage? Why or why not?
27. *Show participant the paragraph about opting out.* Imagine that you had the choice between either a) having this information appear on your statement each month you are charged an overdraft fee as it is here, or b) getting a separate document in the mail, like this (*show stand-alone overdraft notice*) mailed to you in a separate envelope each individual time you are charged an overdraft fee. Which do you think would be more helpful? Why?
28. *Show participant the account opening disclosure again.* Here, again, is the form that I asked you to imagine you were given about overdrafts when you first opened your account. You will notice that there is a lot more information on this form than is provided on the monthly statement.
- Should any of this information be provided on the monthly statement each time you are charged an overdraft fee?

Topic 4 – Aggregate Fee Disclosure (5 minutes)

29. Does this statement provide any information about the total amount of overdraft fees that you have been charged over this entire year?
- *(If participant cannot find this information, show him or her the aggregate fees.)*
What is the total amount of overdraft fees that you paid this year, according to this statement?
30. What is the difference between an “overdraft charge” and a “returned payment/NSF charge”?

Show participant a sheet with three potential formats for aggregate fee disclosures. The Federal Reserve Board is planning to require that banks provide this information on their statements, but they are still trying to decide how to display this information most clearly. As you can see, the top version here is how the fees are shown on this statement. There are also these other two ways in which the information could be provided.

31. Would you find any of these clearer than the others? If so, which do you think is clearest and easiest to understand?

False Close (10 minutes)

The interviewer will excuse herself briefly. At this point, the observers can suggest additional questions that they would like asked, or responses upon which they would like more elaboration from the participant.

Interviewer's Guide for Cognitive Interviews on Overdrafts Milwaukee, WI September 15 and 16th, 2008

Introduction (5 minutes)

At the beginning of the interview, the interviewer will give a short introduction to the background and purpose of the interviews. The participants will be assured that purpose of the project is to evaluate the usefulness of disclosure materials, not their own level of knowledge or understanding, and that they should perform in whatever manner is typical and comfortable for them. The interviewer will also address issues of confidentiality.

Topic 1 – “Warm-Up” Discussion (5 minutes)

I'd like to start the interview by talking to you about how you use your checking account.

1. Do you have a checking account with a bank? About how long have you had that checking account?
2. Do you write checks? If so, how many checks would you estimate you use a month?
3. Do you have a debit card from your bank?
 - Do you use your debit card to get cash from ATMs? If so, how often?
 - Do you make online purchases using your debit card? If so, how often?
 - Do you use your debit card to make purchases at stores? If so, how often?
 - *(If participant uses both checks and debit cards)* How do you decide when to write a check and when to use your debit card?
4. Do you use automatic bill-payment services to pay recurring bills like telephone bills, utilities, gym memberships, etc. out of your checking account?
5. Do you pay any bills online from your checking account?
6. How do you keep track of how much money you have in your account?
7. Have you ever spent more money than you had in your checking account?
 - Were you writing a check, using your debit card, making an ATM withdrawal, or making another type of transaction?
 - Did your bank pay the amount of the transaction, even though you didn't have the money in your account to cover it? If so, did they charge you a fee for doing so?
 - Have you ever had a transaction or ATM withdrawal denied because you didn't have enough money in your account to cover it? Have you ever had a check bounce because you didn't have enough money in your account to cover it? In either case, were you charged a fee?

Topic 2 – Overdraft Disclosure on Periodic Statement (Short Form) (15 minutes)

At this point, I'm going to give you a sample monthly statement. This is a made-up statement for a fictional bank, but I want you to imagine that this is your real monthly statement for your checking account. For these purposes, you can assume that the math is correct.

8. Please look over this form exactly as you normally do when your statement arrives each month, and “think aloud” while doing so.

When participant finishes reviewing the form and “thinking aloud,” continue with the following questions:

9. *(If participant has not already mentioned overdraft fee):* Were you charged any fees on this account this month?
 - *(If participant does not notice fee, point the fee out in the “Other Withdrawals and Service Fees” section)* Why were you charged these fees?
10. What would be your reaction if you found these fees on your checking account statement?
 - Is there anything that you would do if you found these fees on your statement?
11. *Point out the phrase “overdraft coverage.”* What does the bank mean by “overdraft coverage”?
12. *(If participant seems unsure of why they were charged this fee, explain that this fee was charged because they made debit purchases at CVS and Barnes & Noble on 8/12 and 8/31 that overdrafted their account, and the bank paid those charges and then charged them a fee each time.)* In this situation, would you have wanted the bank to pay for the purchase and then charge you a fee?
 - What do you think would have happened if the bank had not covered the overdraft?
13. Does your current bank offer a service in which it pays overdrafts for a fee?
 - *(If not)* Does it surprise you that a bank would offer you this service?
 - Would you consider this service a positive or negative feature of a bank account?
14. If you did not want the bank to pay overdrafts for your debit card purchases and then charge you a fee, do you think there is any way to get the bank to stop?
 - *(If participant doesn't see information on opt-out, point out the text describing the opt-out.)* Please read these two paragraphs, and describe what they are saying in your own words.
15. If this was your statement and you saw this notice, would you contact the bank to opt out of overdraft coverage? Why or why not?
 - Imagine that you did opt out of the coverage as described here, and then you made a purchase with a check for more money than you had in your account. What do you think would happen?

16. Would there be any disadvantage to opting out of overdraft coverage as described here?
17. *Show participant the paragraph about opting out.* Imagine that you had the choice between either a) having this information appear on your statement each month you are charged an overdraft fee as it is here, or b) getting a separate document in the mail, like this (*show stand-alone overdraft notice*) mailed to you in a separate envelope each individual time you are charged an overdraft fee. Which do you think would be more helpful? Why?

Topic 3 – Aggregate Fee Disclosure (5 minutes)

18. Does this statement provide any information about the total amount of overdraft fees that you have been charged over this entire year?
 - (*If participant cannot find this information, show him or her the aggregate fees.*) What is the total amount of overdraft fees that you paid this year, according to this statement?
19. What is the difference between an “overdraft charge” and a “returned payment/NSF charge”?

Show participant a sheet with three potential formats for aggregate fee disclosures. The Federal Reserve Board is planning to require that banks provide this information on their statements, but they are still trying to decide how to display this information most clearly. As you can see, the top version here is how the fees are shown on this statement. There are also these other two ways in which the information could be provided.

20. Would you find any of these clearer than the others? If so, which do you think is clearest and easiest to understand?

Topic 4 – Overdraft Disclosure at Account Opening (20 minutes)

At this point in the interview I would like you to imagine that you have just opened a new checking account at a bank. When you opened the account, they gave you a number of documents to review. Imagine that one of the forms that you are given to review is this (*give participant long form of disclosure*).

21. Please look over this form exactly as you would in that situation, and “think aloud” while doing so.

When participant finishes reviewing the form and “thinking aloud,” continue with the following questions:

22. Do you have any questions about what is on this page?
 - Is there anything you find confusing or unclear?
23. Would you do anything after reading this page?

Show participant the list of situations on a separate page.

24. Based on what you read here, what do you think would happen in each of the following situations: (*Note: If participant has already brought up the topic of “opting out” of overdraft coverage, tell him or her to assume that (s)he has not opted out.*)

In each case, probe to see whether the participant understands a) whether the bank would pay the transaction, b) whether the bank would charge them a fee in that situation, and c) whether the participant might be charged a fee by anyone else.

- a) You use your debit card to take money out of an ATM, but you request more than you have in your account.
- b) You go to the grocery store and write a check for more money than is in your account.
- d) You set up automatic recurring payments of your utility bills, but one month the amount of the bill paid is more than what is in your account.

Take back the list of situations.

25. (*If participant has not noticed that he or she has the option of opting out of overdraft services, point out the section of the form related to opting out.*) As you can see, this section of the form talks about how you can choose to “opt out.” Can you tell me what that means in your own words?

- Would you want to “opt out” of the coverage, as described here?
- As you can see (*point to the last sentence*), this bank gives you the choice of opting out by phone, online, or by writing to them. If you wanted to opt out, which of these methods would you use?
- If this form included a tear-off form that you could send back to the bank to opt out, you would prefer to send the form back rather than opting out online or by telephone?

Show participant the list of situations on a separate page.

26. Imagine that you did contact the bank to opt out of overdraft coverage as described here. In that case, what do you think would happen in each of the following situations?

In each case, probe to see whether the participant understands a) whether the bank would pay the amount, b) whether the bank would charge a fee, and c) whether the participant might be charged a fee by anyone else.

- b) You go to the grocery store and write a check for more money than is in your account.
- c) You use your debit card to purchase something at a store, but the cost of the purchase is greater than what is in your account.
- d) You set up automatic recurring payments of your utility bills, but one month the amount of the bill paid is more than what is in your account.

27. [If participant indicated for 'c' above that the bank would not pay the transactions, and that they would be stopped based on lack of funds] For situation 'c', do you think there are any situations in which the bank would pay the transactions even if you opted out? If the bank did pay these transactions, do you think the bank would charge you a fee for doing so?
28. [Direct participants' attention to the sentence indicating that even if he/she opts out, overdrafts on ATM and debit card transactions may still occur.] Please read this sentence and tell me what it means in your own words.
- a) Does this make you any more or less likely to want to opt out of overdraft coverage?

Take back the list of situations.

29. As you can see, the option that you are provided here to opt out of overdraft coverage does not affect any transactions you make by checks. *Point out (and read aloud, if necessary) sentence in disclosure that indicates that even if consumers opt out, overdrafts will be paid on checks.* What if you could opt out of overdraft coverage for all transactions, regardless of how they were made? In other words, if you could tell the bank to never pay any overdrafts, including when you use checks, would you do that?
- *If participant says no:* Why not?
 - *If participant says yes, or that they don't know:* If you did tell the bank never to pay any overdrafts, this would mean that if you didn't have enough money in your account to cover a check, it would "bounce" and be returned unpaid. Knowing that, would you still want them to stop paying these overdrafts?
30. *Direct participants' attention to the section titled "Other Ways We Can Cover Your Overdrafts."* What do you think this section means, in your own words?
- How likely would you be to contact your bank to inquire about these other services?
 - Do you think that everyone can automatically sign up for these other services, or will only some people qualify?
 - Do you think more information about the other options should be included on this form? If so, what information should be included?
31. Again, imagine that you were given this notice when you first opened your account. Would you want to be given this notice again at any point, or is once enough?
- If you would want to receive it again, how often would you want to receive it?
 - Earlier, I showed you a monthly statement that included information about overdraft services. Of the information on this page, what, if anything, should appear on your statement every time you are charged an overdraft fee?

False Close (5 minutes)

The interviewer will excuse herself briefly. At this point, the observers can suggest additional questions that they would like asked, or responses upon which they would like more elaboration from the participant.

**Appendix F:
Model Forms Used in
First Round of Testing**

Model F1
One Page Overdraft Disclosure Form

EXPLANATION OF OVERDRAFT COVERAGE

We provide overdraft coverage for your account. This means that if you try to spend or withdraw more money from your account than is available, we may decide to pay the overdraft anyway. However, we are not required to pay every overdraft.

Fees

There are fees associated with our overdraft coverage:

- We will charge you a fee of \$30 for each item that we pay that overdraws your account, including ATM withdrawals, debit card purchases, checks, and in-person branch transactions.
- We may charge you this fee even if the amount by which you overdraw your account is as little as \$1.
- We may also charge you additional daily fees of \$5 for each day your account remains overdrawn.
- There is no limit to the amount of fees per day we can charge you for overdrawing your account.

Your Right to Opt Out of Overdraft Coverage

You have the right to opt out of this coverage and tell us not to pay overdrafts. You may still overdraw your account or pay overdraft fees under limited circumstances outside our control, but opting out may reduce the likelihood that you will accidentally overdraw your account. You may save money by opting out. We also offer other less costly ways of covering your overdrafts that you may qualify for, including transferring funds from another account with us or obtaining a line of credit.

However, if you do opt out and are not covered by any other overdraft service, your checks may be returned unpaid and your ATM withdrawals and debit card transactions may be declined if you do not have enough available funds in your account. If your check is returned unpaid, we will charge you a fee of \$30 and you may also have to pay a fee to the merchant. In addition, if your debit card transactions are declined, you will have to provide another form of payment.

You also have the right to tell us not to pay overdrafts for ATM withdrawals and debit card purchases, but to continue to pay overdrafts at our discretion for other types of transactions, including your checks.

To opt out of our overdraft coverage, or for more information about alternative ways that we may offer of covering overdrafts, call us at 1-800-555-1234 or write us at Solar Bank, P.O. Box 1234, Pittsburgh, PA 19714.

Model F2
Mock Periodic Statement with Short
Form Disclosure



Solar Bank

01 5678123678 752 30 0 5 12,285

00003155*****SNGLP



PAT SMITH
98 SHERBROOKE CT
PITTSBURGH, PA 19714-2598

7/9/2008 thru 08/8/2008

Account number: 5678123678

Account owner(s): PAT SMITH

Account Summary

Opening balance	\$850.00
Deposits and other credits	+ \$3,300.30
Checks	- \$2,562.00
Other withdrawals and service fees	- \$1,121.33
Closing Balance 8/8/08	\$466.97

Deposits and Other Credits

<i>Date</i>	<i>Amount</i>	<i>Description</i>
7/13	\$1,050.15	DIRECT DEPOSIT PAYROLL CHECK CO. ID. 1520955232 080513 PPD
7/28	\$1,050.15	DIRECT DEPOSIT PAYROLL CHECK CO. ID. 1520955232 080513 PPD
7/29	\$300.00	DEPOSIT PIKE CREEK 5801 LIMESTONE RD #1281 PITTSBURGH PA 1015W004868 5/28
8/1	\$900.00	DEPOSIT PIKE CREEK 5801 LIMESTONE RD #1281 PITTSBURGH PA 1015W004868 5/28
Total	\$3,300.30	

Checks

<u>Number</u>	<u>Amount</u>	<u>Date</u>	<u>Number</u>	<u>Amount</u>	<u>Date</u>	<u>Number</u>	<u>Amount</u>	<u>Date</u>
1015	650.00	7/12	1018	75.00	7/27			
1016	242.00	7/14	1019	1,450.00	7/29			
1017	120.00	7/18	1020	25.00	8/7			
						Total	\$2,562.00	

Other Withdrawals and Service Fees

<i>Date</i>	<i>Amount</i>	<i>Description</i>
7/12	\$211.50	DEBIT PURCHASE HOME DEPOT 125 SMITHFIELD AVE PITTSBURGH PA 87239L241972
7/12	\$30.00	OVERDRAFT FEE ID BUO8746
7/20	\$189.35	ONLINE PAYMENT VERIZON ONLINE C.O. ID. 9500000000 080520 WEB MISC CKF418987225POS
7/22	\$138.93	AUTOMATED DEBIT AMERICAN EXPRESS C.O. ID. 9500000000 080520 WEB MISC CKF418987225POS
7/30	\$140.00	DEBIT PURCHASE ACME MARKET 24 JONES ST PITTSBURGH PA 22327T133215
7/31	\$5.00	DEBIT PURCHASE CVS 145 WALDEN RD JOHNSTOWN PA 34256F243293
7/31	\$30.00	OVERDRAFT FEE ID TFD2341
8/5	\$376.55	ONLINE PAYMENT HONDA FINANCE CO. ID. 39543472715 080602 PPD
Total	\$1,121.33	

Overdraft Charges This Cycle: \$60.00 Year-to-Date: \$150.00
 Returned Payment Charges This Cycle: \$0.00 Year-to-Date: \$30.00

You have been charged an overdraft fee of \$30 this period for going over your available balance.

YOU HAVE THE RIGHT TO OPT OUT OF OVERDRAFT COVERAGE AND TELL US NOT TO PAY ANY OVERDRAFTS. You may still overdraw your account or pay overdraft fees under limited circumstances outside our control, but opting out may reduce the likelihood that you will accidentally overdraw your account. We also offer less costly ways of covering your overdrafts that you may qualify for, including a line of credit. To opt out of our overdraft coverage, or for more information about alternative ways that we may offer of covering overdrafts, call us at 1-800-555-1234 or write us at Solar Bank, P.O. Box 1234, Pittsburgh, PA 19714.

Reduce Paper Clutter with Free Solar Online Statements

Sign up today to view, print and save your bank statements online. To sign up for Online Statements, log in to Online Banking at Solarbank.com and select the Account Services link on the right side of My Accounts page, then click the Change Statement Options. Not an Online Banking Customer? Enroll in Online Banking today at solarbank.com/enroll or by calling 800-555-1694.

Customer Service Information

	Phone Number	Address
Checking & Savings Accounts, Check Card & ATM Card	800-MY-SOLAR 800-424-8998	SOLAR BANK, NATIONAL ASSOCIATION NC8502
TDD (For the Hearing Impaired) En español para cuentas Corrientes y de ahorros	800-835-7721 800-326-8977	PO BOX 563966 PITTSBURGH, PA 19714- 2598
Bank By Mail (Deposits Only)		SOLAR BANK, NATIONAL ASSOCIATION VA3289 PO BOX 26090 RICHMOND, VA 23260-6090
Consumer Loan Accounts		SOLAR BANK, NATIONAL ASSOCIATION VA0343 PO BOX 13327 ROANOKE, VA 24040-0343

In Case of Errors or Questions About your Electronic Transfers: Telephone us at 800-MY-SOLAR, 800-424-8998, or write to us at SOLAR BANK OF PENNSYLVANIA, NATIONAL ASSOCIATION, NC8502, PO BOX 563966 PITTSBURGH, PA 19714- 2598, as soon as you can, if you think your statement or receipt is wrong or if you need more information about a transfer on the statement or receipt. We must hear from you no later than 60 days after we sent you the FIRST statement on which the error or problem appeared.

1. Tell us your name and account number (if any).
2. Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe there is an error or why you need more information.
3. Tell us the dollar amount of the suspected error.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days to do this, we will credit your account for the amount you think is in error. You will have use of the money during the time it takes us to complete our investigation.

SOLAR BANK OF PENNSYLVANIA, N.A IS A MEMBER FDIC

**Model F3
Stand-Alone Overdraft Notice**

00003155*****SNGLP

8/16/08

Account number: 5678123678

Account owner(s): PAT SMITH

You have been charged an overdraft fee of \$30 this period for going over your available balance.

YOU HAVE THE RIGHT TO OPT OUT OF OVERDRAFT COVERAGE AND TELL US NOT TO PAY OVERDRAFTS. You may still overdraw your account or pay overdraft fees under limited circumstances outside our control, but opting out may reduce the likelihood that you will accidentally overdraw your account. We also offer less costly ways of covering your overdrafts that you may qualify for, including transferring funds from another account with us or obtaining a line of credit. To opt out of our overdraft coverage, or for more information about alternative ways that we may offer of covering overdrafts, call us at 1-800-555-1234 or write us at Solar Bank, P.O. Box 1234, Pittsburgh, PA 19714.

SOLAR BANK OF PENNSYLVANIA, N.A IS A MEMBER FDIC



Model F4
Options for Presentation of Aggregate
Fees

Option A:

Overdraft Charges This Cycle: \$60.00	Year-to-Date: \$150.00
Returned Payment Charges This Cycle: \$0.00	Year-to-Date: \$30.00

Option B:

	Total For This Period	Total Year-to-Date
Total Overdraft Fees	\$60.00	\$150.00
Total Returned Item Fees	\$0.00	\$30.00

Option C:

Total overdraft fees charged this period	\$60.00
Total overdraft fees charged year-to-date	\$150.00
Total returned item fees charged this period	\$0.00
Total returned item fees charged year-to-date	\$30.00

**Appendix G:
Model Forms Used in
Second Round of Testing**

Model G1
One Page Overdraft Disclosure Form
(Day 1)

EXPLANATION OF OVERDRAFT COVERAGE

Overview of Coverage

We currently provide overdraft coverage for your account. This means that if you try to spend or withdraw more money than you have in your account, we may decide to pay the overdrawn amount anyway. If we do, we will charge you fees. This coverage differs from other overdraft services we offer, such as a link to another account with us or an overdraft line of credit.

You may tell us not to pay overdrafts for ATM withdrawals or debit card purchases you make at a store or online. See below for more information about your overdraft coverage and your right to opt out.

Overdraft Fees

- We will charge you a fee of up to \$30 for each item that we pay that overdraws your account (including ATM withdrawals, debit card purchases, checks, and teller transactions) even if you overdraw your account by as little as \$1.
- We may also charge you a fee of \$5 for each day your account remains overdrawn.
- There is no limit to the fees per day we can charge you for overdrawing your account.

Your Right to Opt Out of Overdraft Coverage

You have the right to tell us not to pay overdrafts for ATM withdrawals and debit card purchases you make at a store or online. If you do, we may decline these transactions if you do not have enough money in your account to cover them. However, as a result you may pay fewer overdraft fees.

If you opt out, we may still cover overdrafts for other types of transactions, including checks and recurring debits. There may also be situations when, for reasons outside our control, you can still overdraw your account through an ATM or debit card purchase. If we cover your overdrafts under any of these circumstances, we will charge you a fee.

Other Ways We Can Cover Your Overdrafts

We also offer other ways of covering your overdrafts that may be less expensive, such as a link to another account with us or an overdraft line of credit. Contact us to learn more about these options.

How to Opt Out or Get More Information

To opt out of our overdraft coverage, or for information about alternatives we offer for covering overdrafts, contact us at 1-800-555-1234, www.solarbank.com/overdrafts, or Solar Bank, P.O. Box 1234, Pittsburgh, PA 19714.

Model G2
One Page Overdraft Disclosure Form
(Day 2)

EXPLANATION OF OVERDRAFT COVERAGE

Overview of Coverage

We currently provide overdraft coverage for your account. This means that if you try to spend or withdraw more money than you have in your account, we may decide to pay the overdrawn amount anyway. If we do, we will charge you fees. This coverage differs from other overdraft services we offer, such as a link to another account with us or an overdraft line of credit.

You may tell us not to pay overdrafts for ATM withdrawals or debit card purchases you make at a store or online. If you do, we may still cover overdrafts for other types of transactions, including checks and recurring debits. See below for more information about your overdraft coverage and your right to opt out.

Overdraft Fees

- We will charge you a fee of up to \$30 for each item that we pay that overdraws your account (including ATM withdrawals, debit card purchases, checks, and teller transactions) even if you overdraw your account by as little as \$1.
- We will also charge you a fee of \$5 for each day your account remains overdrawn.
- There is no limit to the fees per day we can charge you for overdrawing your account.

Your Right to Opt Out of Overdraft Coverage

You have the right to tell us not to pay overdrafts for ATM withdrawals and debit card purchases you make at a store or online. If you do, we may decline these transactions if you do not have enough money in your account to cover them. However, as a result you may pay fewer overdraft fees.

If you opt out, we may still cover overdrafts for other types of transactions, including checks and recurring debits. If we do, we will charge you fees.

Other Ways We Can Cover Your Overdrafts

We also offer other ways of covering your overdrafts that may be less expensive, such as a link to another account with us or an overdraft line of credit. Contact us to learn more about these options.

How to Opt Out or Get More Information

To opt out of our overdraft coverage, or for information about alternatives we offer for covering overdrafts, contact us at 1-800-555-1234, www.solarbank.com/overdrafts, or Solar Bank, P.O. Box 1234, Pittsburgh, PA 19714.

Model G3
Mock Periodic Statement with Short
Form Disclosure



Solar Bank

01 5678123678 752 30 0 5 12,285

00003155*****SNGLP



PAT SMITH
98 SHERBROOKE CT
PITTSBURGH, PA 19714-2598

8/9/2008 thru 9/8/2008

Account number: 5678123678

Account owner(s): PAT SMITH

Account Summary

Opening balance	\$850.00
Deposits and other credits	+ \$3,300.30
Checks	- \$2,562.00
Other withdrawals and service fees	- \$1,121.33
Closing Balance 9/8/08	\$466.97

Deposits and Other Credits

<i>Date</i>	<i>Amount</i>	<i>Description</i>
8/13	\$1,050.15	DIRECT DEPOSIT PAYROLL CHECK CO. ID. 1520955232 080513 PPD
8/28	\$1,050.15	DIRECT DEPOSIT PAYROLL CHECK CO. ID. 1520955232 080513 PPD
8/29	\$300.00	DEPOSIT PIKE CREEK 5801 LIMESTONE RD #1281 PITTSBURGH PA 1015W004868 5/28
9/1	\$900.00	DEPOSIT PIKE CREEK 5801 LIMESTONE RD #1281 PITTSBURGH PA 1015W004868 5/28
Total	\$3,300.30	

Checks

<i>Number</i>	<i>Amount</i>	<i>Date</i>	<i>Number</i>	<i>Amount</i>	<i>Date</i>	<i>Number</i>	<i>Amount</i>	<i>Date</i>
1015	650.00	8/11	1018	75.00	8/27			
1016	242.00	8/14	1019	1,450.00	8/29			
1017	120.00	8/18	1020	25.00	9/7			
						Total	\$2,562.00	

Other Withdrawals and Service Fees

<i>Date</i>	<i>Amount</i>	<i>Description</i>
8/12	\$211.50	DEBIT PURCHASE HOME DEPOT 125 SMITHFIELD AVE PITTSBURGH PA 87239L241972
8/12	\$30.00	OVERDRAFT FEE ID BUO8746
8/20	\$189.35	ONLINE PAYMENT VERIZON ONLINE C.O. ID. 9500000000 080520 WEB MISC CKF418987225POS
8/22	\$138.93	AUTOMATED DEBIT AMERICAN EXPRESS C.O. ID. 9500000000 080520 WEB MISC CKF418987225POS
8/30	\$140.00	DEBIT PURCHASE ACME MARKET 24 JONES ST PITTSBURGH PA 22327T133215
8/31	\$5.00	DEBIT PURCHASE CVS 145 WALDEN RD JOHNSTOWN PA 34256F243293
8/31	\$30.00	OVERDRAFT FEE ID TFD2341
9/5	\$376.55	ONLINE PAYMENT HONDA FINANCE CO. ID. 39543472715 080602 PPD
Total	\$1,121.33	

Overdraft Charges This Cycle: \$60.00 Year-to-Date: \$150.00
 Returned Payment/NSF Charges This Cycle: \$0.00 Year-to-Date: \$30.00

You have been charged overdraft fees totaling \$60 this period for going over your available balance.

YOU HAVE THE RIGHT TO TELL US NOT TO PAY OVERDRAFTS FOR ATM WITHDRAWALS AND DEBIT CARD PURCHASES YOU MAKE AT A STORE OR ONLINE. If you do, we may decline these transactions if you do not have enough money in your account to cover them. However, as a result you may pay fewer overdraft fees. We also offer other ways of covering your overdrafts that may be less expensive, such as a link to another account with us or an overdraft line of credit. To opt out of our overdraft coverage, or for information about alternatives we offer for covering overdrafts, contact us at 1-800-555-1234, www.solarbank.com/overdrafts, or Solar Bank, P.O. Box 1234, Pittsburgh, PA 19714.

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Sign up today to view, print and save your bank statements online. To sign up for Online Statements, log in to Online Banking at solarbank.com and select the Account Services link on the right side of My Accounts page, then click the Change Statement Options. Not an Online Banking Customer? Enroll in Online Banking today at solarbank.com/enroll or by calling 800-555-1694.

Customer Service Information

	Phone Number	Address
Checking & Savings Accounts, Check Card & ATM Card	800-MY-SOLAR 800-424-8998	SOLAR BANK, NATIONAL ASSOCIATION NC8502
TDD (For the Hearing Impaired) En español para cuentas Corrientes y de ahorros	800-835-7721 800-326-8977	PO BOX 563966 PITTSBURGH, PA 19714- 2598
Bank By Mail (Deposits Only)		SOLAR BANK, NATIONAL ASSOCIATION VA3289 PO BOX 26090 RICHMOND, VA 23260-6090
Consumer Loan Accounts		SOLAR BANK, NATIONAL ASSOCIATION VA0343 PO BOX 13327 ROANOKE, VA 24040-0343

In Case of Errors or Questions About your Electronic Transfers: Telephone us at 800-MY-SOLAR, 800-424-8998, or write to us at SOLAR BANK OF PENNSYLVANIA, NATIONAL ASSOCIATION, NC8502, PO BOX 563966 PITTSBURGH, PA 19714- 2598, as soon as you can, if you think your statement or receipt is wrong or if you need more information about a transfer on the statement or receipt. We must hear from you no later than 60 days after we sent you the FIRST statement on which the error or problem appeared.

1. Tell us your name and account number (if any).
2. Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe there is an error or why you need more information.
3. Tell us the dollar amount of the suspected error.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days to do this, we will credit your account for the amount you think is in error. You will have use of the money during the time it takes us to complete our investigation.

SOLAR BANK OF PENNSYLVANIA, N.A. IS A MEMBER FDIC

Model G4
Stand-Alone Overdraft Notice

00003155*****SNGLP

9/16/08

Account number: 5678123678

Account owner(s): PAT SMITH

You have been charged an overdraft fee of \$30 for going over your available balance.

YOU HAVE THE RIGHT TO TELL US NOT TO PAY OVERDRAFTS FOR ATM WITHDRAWALS AND DEBIT CARD PURCHASES YOU MAKE AT A STORE OR ONLINE. If you do, we may decline these transactions if you do not have enough money in your account to cover them. However, as a result you may pay fewer overdraft fees. We also offer other ways of covering your overdrafts that may be less expensive, such as a link to another account with us or an overdraft line of credit. To opt out of our overdraft coverage, or for information about alternatives we offer for covering overdrafts, contact us at 1-800-555-1234, www.solarbank.com/overdrafts, or Solar Bank, P.O. Box 1234, Pittsburgh, PA 19714.

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Washington, DC 20551
www.federalreserve.gov