

October 11, 2006

Steve Hanft  
Legal Division  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, D.C. 20429  
VIA FACSIMILE (202) 898-3838  
VIA EMAIL: [comments@fdic.gov](mailto:comments@fdic.gov)

Re: *Study of Overdraft Protection Programs*

Dear Mr. Hanft,

ACCION San Diego writes in response to the notice and request for comment on the FDIC's proposed one-time collection of information on the features and effects of overdraft protection programs. We strongly urge the FDIC to proceed with such an investigation.

ACCION San Diego is a non-profit organization whose mission is to provide economic opportunity to low-to-moderate income level small business owners who lack access to traditional forms of credit. By providing support services and loans, ACCION San Diego helps these small business owners increase their income, better provide for their families and contribute to the economic revitalization of their communities. Many of our clients are trying to build a positive financial history and are negatively affected by the overdraft fees.

Overdraft protection programs have the potential to be one of the most predatory of financial products. These programs transfer billions of dollars in fees assessed to unsuspecting consumers into bank profits. Because the payoff for financial institutions is so great, the need for strong regulatory oversight is heightened in order to ensure that consumers are sufficiently protected.

Overdraft fees can have severe economic consequences for consumers, and can force and keep consumers out of the financial mainstream. Accordingly, the California Reinvestment Coalition and its members have developed the Essential Bank Account as one alternative to these high fee accounts. The Essential Bank Account is a checkless checking account that makes it unlikely that customers will be able to overdraw their accounts. Citibank has been offering this product in San Diego, and Washington Mutual is now offering a version of it statewide in California.

In order to enhance the quality, utility and clarity of the information to be collected, we urge the FDIC to consider the following issues in its investigation of overdraft protection programs:

- **Introducing the product.** What precisely are customers told about overdraft protection options when they open an account?
- **Volume.** How many customers overdraw their accounts each year? How much fee income is earned by banks annually as a result of overdraft protection programs?
- **High to low check clearing.** Do institutions clear the largest checks first and then smaller checks, which necessarily results in more instances of overdraft?
- **Notification.** Do ATM machines clearly warn customers before each transaction if they are about to overdraw their accounts and incur a fee?
- **Fees.** What are the fees assessed to customers who overdraw their accounts? Is there a fee for each day the account is in arrears? For how many days are daily fees assessed?
- **Costs.** What are the costs to banks when customers overdraw their accounts and the banks cover the overdraft through an overdraft protection program? How does this cost to the banks relate to the fees charged to consumers?
- **Channels.** What percent of overdraft protection fees charged at each bank come from bounced checks, what percent from ATM withdrawals, what percent from debit purchases, etc.?
- **Steering.** What percent of bank customers who are in an overdraft protection program are from groups protected under the Equal Credit Opportunity Act? How does this relate to each bank's overall percent of customers from these protected classes?

The FDIC should document these practices, urge compliance with existing best practices, require better public reporting of overdraft fees as a stand alone item in Call Reports or other disclosure document, and revisit the best practices in light of the findings from this investigation.

Finally and importantly, the FDIC and sister agencies should reverse their decision not to apply the Truth in Lending Act to overdraft protection programs.

We urge the FDIC to proceed with the proposed study and to vindicate the consumer protection principles implicated by these programs. Thank you very much for your consideration of these views.

Sincerely,



Patti Mason  
 President & CEO  
 ACCION San Diego

Cc: California Reinvestment Coalition