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To: Overdraft Comments

Subject: Overdraft Comments

I commend the FDIC for providing essential guidance on bank overdraft policies. The Supervisory Expectations cover important areas of necessary reform.

I would like to share a personal experience, because it illustrates a basic flaw in many bank overdraft programs.

I was speaking with my child's music instructor and he told me that he had accumulated \$700 in overdraft fees using his debit card that month. He had made an error and had forgotten to make certain deposits. As a result, nearly every purchase he had made that month, from the \$3 coffee to the \$100 grocery bill had triggered an overdraft charge. He accepted responsibility for his mistake, but was incredulous that through all of his transactions that month, not once was he notified that his account was overdrawn.

Banking is a relationship. To allow such a mistake to persist, as happened in the above situation, demonstrates a problem in that relationship. The Supervisory Expectations start to address this problem through requiring specific interventions after six overdrafts. As an addition to the requirement to monitor the overdraft program for excessive uses under the Supervisory Expectations, there should be a means of informing customers immediately upon an account overdraft, so that they are aware of the problem and can respond to it. If someone is intentionally using the service, then they are making an informed choice. If it is a mistake, then it can be remedied before it becomes a financial calamity. Informing customers immediately of overdrafts is particularly important with debit transactions, for those who choose to "opt in" to debit overdraft protection, as many people use debit cards for routine, low-dollar transactions which can quickly rack up significant overdraft fees before the customer realizes that there is a problem.

I appreciate this effort to provide overdraft program guidance and hope that the other banking agencies will adopt similar guidance to support overdraft protection programs that are a win-win for customers and the banks.

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