

From: Site Administrator [mailto:web@responsiblelending.org] On Behalf Of Bharat Sadula
Sent: Sunday, September 26, 2010 10:29 AM
To: Overdraft Comments
Subject: Stop unfair and abusive debit-card overdraft fees

Sep 26, 2010

Ms Sheila Bair

Dear Ms Bair,

I support the FDIC's recommendations that banks address deceptive unfair debit-card overdraft practices used to maximize the fees they charge customers.

I would like to take this opportunity to highlight what I believe is a deceptive practice. Of course, I believe this issue has been debated for long time.

The issue I am referring to is "biggest check first" policy. As per this policy, banks clear the biggest check first and the reduced balance available in a customers account is used to clear the smaller checks. For instance on 14-July-10, I had a balance of \$2300 with [*Name of Institution*]. An ACH for \$48 as well as a check of \$2500 hit my account. Because of the "Biggest Check First" policy, the bank debited \$2500 check first followed by the \$48 ACH debit. This resulted in 2 overdraft entries in my account which meant that bank charged me overdraft fees twice. While these were isolated cases I believe, internet research suggests that this policy has resulted in the banking industry earning billions of dollars of overdraft fees. Banks argue that they adopt this practice is favored by customers since they would like the "more important items" (which tend to be larger amounts) to be cleared first. I have a different perspective. In the country that I originate (viz. India), we believe that the smallest checks need to be cleared first because the stigma associated with bouncing of a small amount check is higher than the stigma associated with a larger amount check.

I believe that this misleading practice needs to be changed. I have an alternate proposal. I would replace the "Biggest Check First" policy with "Smallest Check First Policy". Also, to ensure that banks are adequately compensated, I recommend that banks levy customers "Overdraft Interest" on the overdraft balance on a daily basis instead of levying overdraft fees per overdraft item. The interest rate may be a high interest rate to discourage customers from creating overdrafts.

As a former banker with [*Name of Institution*], I am aware that customers want overdraft coverage that is fair and reasonable. I hope that banks listen and make the changes outlined above. Providing customers with a responsible product is not only right thing to do - it's good business.

I hope this email is not lost in the thousands of emails you receive and that this proposal is taken constructively.

Sincerely,

Mr. Bharat Sadula
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