

Making Sense of the Overdraft Fee Changes

Many of you have recently received notification from us about your continued use of your Overdraft Privilege (ODP). This letter is a direct result of the regulatory changes mandated by the Federal Reserve concerning Regulation E, the Electronic Funds Transfer Act.

These changes can be confusing – so we wanted to take a moment to help you sort through the impact to you!

Regulation E provides a basic framework that establishes rights, liabilities, and responsibilities in electronic fund transfer systems such as automated teller machines (ATM) transfers, telephone bill-payment services, point-of-sale (POS) terminal transfers in stores, and pre-authorized transfers from or to a consumer's account (such as direct deposit and social security benefits).

The term "electronic fund transfer" (EFT) generally refers to a transaction initiated through an electronic terminal, telephone, computer or magnetic tape, instructing the Bank to either credit or debit a customer's account.

Beginning in 2009, in response to consumer advocacy groups, the Federal Reserve revised Regulation E to address retail checking account overdraft fees on certain consumer transactions. The final rule prohibits a financial institution from assessing an overdraft fee applicable to overdraft services for ATM and one-time debit card transactions unless the consumer agrees to the overdraft services for those types of transactions.

When do the new regulations go into effect?

- July 1, 2010 for any new consumer checking accounts
- August 15, 2010 for all existing consumer checking accounts opened prior to July 1, 2010.

What transactions are included in the rule change?

- Automated Teller Machines (ATM)
- One-time debit card transactions, such as gas purchases

What transactions are NOT included in the rule change?

- Checks, including paper and electronic
- ACH electronic payments, like your mortgage or insurance premiums
- Recurring Visa Debit Card transactions, such as a monthly gym membership
- Payments of an overdraft through a line of credit

What do I have to do?

Individuals with a consumer checking account with Overdraft Privilege (ODP) should have received a letter in the mail with a form to “opt in” or “opt out” of using your ODP for ATM and one-time debit card transactions. You will have until August 15, 2010 to respond. You may make your selection by using the personalized URL (personal website) included in your letter or by contacting any of our branch offices.

If we don’t receive a response from you, we will assume that you do not want ODP for ATM and one-time debit card transactions.

How could this impact me?

For customers that “opt in” – you will see no change to how your account functions today. You will be able to access your ODP for ATM transactions and one-time debit card transactions by paying the fee.

If you “opt out” – you could find your ATM and one-time debit card transactions being denied. This would occur if you didn’t have sufficient funds in your account (without the ODP) to cover the transaction.

“Opting in” versus “opting out” of accounts with the overdraft service

For consumer accounts that have our overdraft service, here is an example of how these items might be handled differently between a customer who “opts in” or “opts out” of overdraft protection for ATM and one-time debit card transactions. Included in this example are both types of transactions.

Opt In			
	Running Balance	Result	Fees
Available Balance	\$50		
ATM Withdrawal	-\$200	Approved	\$30.00
Gas Purchase	-\$60	Approved	\$30.00
Ending Balance	-\$270		
Opt Out			
	Running Balance	Result	Fees
Available Balance	\$50		
ATM Withdrawal	-\$200	Denied	\$0
Gas Purchase	-\$60	Denied	\$0
Ending Balance	\$50		

A retail customer who has “opted in” for the ODP with ATM transactions and one-time debit card transactions, would have the items paid and be charged our standard fee for this service.

Have more questions? Please contact a customer service representative for more information!