



March 5, 2009

CBA Regulation E/Overdraft Conference Call

CBA has scheduled a call on March 12 at 2:00 p.m., EDT to prepare a comment letter to the Federal Reserve Board (FRB) on its overdraft protection proposal under Regulation E. Comments are due March 30, 2009. If you have questions or want further information, contact Marcia Sullivan at msullivan@cbanet.org.

If you would like to participate and would like a summary of the proposal, please contact Linda Smith at lsmith@cbanet.org.

Originally, the FRB issued a proposal which would have applied Unfair or Deceptive Acts and Practices rules to overdraft transactions. After review of comments from CBA and others, the FRB reconsidered and issued this proposal under Regulation E.

Regulation E Proposal:

The current proposal outlines two approaches for providing consumers a choice regarding the payment of ATM and one-time debit card overdrafts by their financial institution:

- **Opt-out:** Under this approach, an institution would be prohibited from imposing an overdraft fee unless the consumer is given an initial notice and a reasonable opportunity to opt-out of the institution's overdraft service, and the consumer does not opt-out.
- **Opt-in:** This second approach would prohibit an institution from imposing an overdraft fee for paying such overdrafts unless the consumer affirmatively consents to the institution's overdraft service.

The proposed rule will also prohibit financial institutions from imposing an overdraft fee when the account is overdrawn because of a hold placed on funds in the consumer's account that exceeds the actual transaction amount. This prohibition will be limited to debit card transactions in which the actual transaction amount can be determined within a short period of time after the transaction is authorized.