

Options available to avoid overdraft fees

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Customers can choose from a couple different options to avoid overdraft fees, according to bank executives on Guam.

The executives responded to the ongoing debate in Congress over a bill that would protect consumers from unreasonable overdraft fees.

During a public hearing on Friday, Rep. Carolyn Maloney, D-NY, who has sponsored the Overdraft Protection Act with Rep. Barney Frank, D-Mass., told the House Financial Services Committee that customers are not warned before an overdraft transaction occurs, according to a press release issued from Maloney's office.

"The Center for Responsible Lending has found that overdraft fees have increased 35 percent in the last two years, and they estimate that 27 million Americans overdrew their checking account more than five times in a 12-month period," Maloney said at the hearing.

"As a consumer opens an account, according to a study by the FDIC, most banks — 75.1 percent of banks — automatically enroll them in an automated overdraft program, which charges a fee ranging from \$10 to \$38 for each overdraft, and sometimes another fee if an account stays in negative balance for a period of time," Maloney said.

But Citibank Guam isn't one of those banks.

Agustin Davalos, corporate country officer and country business manager for Citibank Guam, said his bank doesn't authorize overdrafts at ATMs or at point-of-sale transactions if a customer does not have available funds.

PROVISIONS OF THE BILL

▲ Amends the Truth in Lending Act to require notification if a transaction at an ATM would trigger an overdraft fee and offer the chance to cancel the transaction before a fee is incurred;

▲ Requires that consumers must opt-in in writing before they are enrolled in overdraft coverage programs on every type of transaction;

▲ Prohibits unfair or deceptive practices in connection with marketing or in the provision of overdraft coverage;

▲ Prohibits banks from charging more than one overdraft per month and not more than six in a single year;

▲ Requires that overdraft fees relate to the "actual cost" of processing the overdraft, as defined by bank regulators;

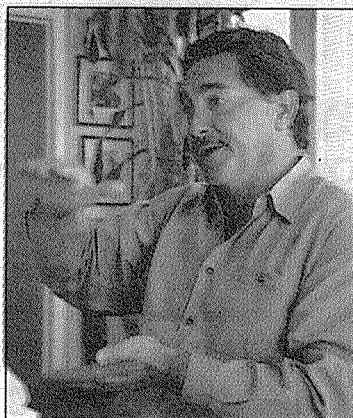
▲ Stops the "re-ordering" of transactions in a way that maximizes fees to the financial institution;

▲ Requires the U.S. Government Accountability Office to study the feasibility of providing notice about point-of-sale and restates the Federal Reserve's existing authority to regulate on point-of-sale after the results are issued.

Source: Web site of Rep. Carolyn Maloney, www.maloney.house.gov

"As such, our current policies already protect our customers from unnecessary overdraft fees, as their account cannot be overdrawn in these situations," Davalos said in an e-mail to the Pacific Daily News.

However, if a person were to use a personal check when sufficient funds are not available, an overdraft may occur, for which Davalos urges customers to keep track of their account balances regularly, especially before they issue a check.



Pacific Daily News file photo

CEO: Philip J. Flores, president and CEO of BankPacific, shown in a file photo, suggests ways for consumers to avoid getting charged with overdraft fees.

Citibank Guam customers have the option of avoiding embarrassment while at the same time avoiding overdraft fees with Citibank's Overdraft Protection, which transfers money to one's checking account from a savings account, according to Davalos.

He said Citibank employees disclose all service fees and charges for all consumer accounts when the customer opens an account. In addition, customers receive a packet containing the Client Manual, which contains important information about checking and savings accounts, fees and charges, balance requirements and more.

"We are not making changes to our overdraft programs at this time and will await further clarity on proposed regulatory changes," Davalos said.

BankPacific customers can make arrangements to pull from their sav-

ings accounts if there are insufficient funds in their checking accounts, according to Philip Flores, president of BankPacific. However, he said, banks limit the number of times a person can withdraw or transfer from a savings account each month, due to Regulation D by the Federal Reserve. This regulation discourages customers from using savings accounts as transaction accounts, Flores said. The maximum number of transactions allowed are six a month, according to the regulation.

But customers are first offered overdraft protection when they open a checking account, Flores said. The overdraft protection program pulls money from a line of credit, for which the customer must first qualify at the time of opening an account. Then the customer pays the interest on the credit used, he said.

He added that bank employees counsel customers if they notice customers are overdrafting often.

Meanwhile, Joe Bradley, senior vice president and economic and market statistics officer at the Bank of Guam, said the bank's customers are warned of overdraft transactions at ATMs prior to the transaction. Plus, he said his bank also offers a line of credit to fund the checking account in increments of \$100 for overdraft transactions. For this service, customers must submit a consumer loan application before it kicks in, he said.

However, a "sweep" facility can be set up to pull funds from other depository accounts, but there is an overdraft fee for each item that overdrafts, Bradley said.

The overdraft fee serves as an ability to recoup the cost of overdraft transactions, Flores said.