INDEPENDENT COMMUNITY BANKERS of AMERICA®

The ICBA Overdraft Payment Services Study

June 2012

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About the Study

The *ICBA Overdraft Payment Services Study* was conducted by the Independent Community Bankers of America (ICBA) to provide policymakers a better understanding of overdraft payment services and an accurate picture of overdraft service offerings by examining consumer preferences and how community banks serve consumers.

About ICBA

The Independent Community Bankers of America®, the nation's voice for more than 7,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services. For more information, visit www.icba.org.

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Executive Summary

Increased regulatory scrutiny of consumer overdraft payment programs has affected many aspects of how community banks offer these services to consumers, as well as how they monitor and manage these services. Yet with all of these changes, the regulatory scrutiny continues. The Independent Community Bankers of America, the Nation's Voice for Community Banks®, reached out to community banks to assess their practices regarding overdraft payment services. A separate outreach was also undertaken to gauge consumers' checking account practices and preferences related to overdraft payment services (regardless of financial institution type).

The *ICBA Overdraft Payment Services Study* (the Study) is the result of those efforts. To help determine demand for these offerings, ICBA conducted a survey of 3,000 consumers (representing a random sampling of the U.S. banking population). This consumer survey revealed seven key findings:

- **Most consumers understand the potential consequences of returned payments and want important transactions paid by their financial institution (all fees being equal) even if those transactions result in an overdraft.**
- **Consumers using overdraft payment programs are among the most knowledgeable of alternative services to avoid overdrafts.**
- **Consumers who use overdraft payment programs prefer them to other short-term funding options.**
- **Most consumers avoided overdrafts in the previous 12 months.**
- **Frequent account monitoring does not deter overdrafts.**
- **Consumers who use overdraft services are more likely to take out a payday loan.**
- **A consumer's choice of financial institution makes a difference.**

Additionally, ICBA conducted a survey of 575 community banks to help shed light on how community banks manage consumer overdraft payment services, how they control their risk exposure to overdrawn accounts, and whether they meet the account overdraft coverage needs of their customers. Among that survey's notable findings:

- **Community banks are transparent in their disclosures regarding features of their overdraft payment programs and inform customers of alternative services.**
- **Community banks have policies and practices in place to manage their risk and ensure safety and soundness.**
- **Community banks structure transaction posting to minimize potential consumer overdrafts and the related fees.**

- **Community banks provide reasonable overdraft fees and *de minimis* waivers to avoid excessive fees.**
- **Increased regulatory scrutiny during the past two years has limited community bank overdraft income.**

It is our hope that the Study, and the findings contained herein, will help further regulatory understanding about overdraft payment services, how they are used and perceived by consumers, and how they are managed and administered by community banks.

ICBA Recommendations for Overdraft Regulatory Policy

Regulatory policy and oversight should not impede community banks' ability to offer a variety of overdraft payment services to meet their customers' financial needs.

The Study found that most community banks offer one or more services to help their customers avoid returned items, including overdraft payment and alternative services. Community banks disclose terms and conditions of their overdraft payment programs and inform their customers of alternatives services at multiple contact points and through a variety of communication channels. Almost every community bank with an automated program informs its customers of overdraft program coverage limits so that the customer is aware of potential liability and can make informed choices.

Consumers must retain the ability to choose overdraft services that best fit their financial needs.

Regulatory policy should emphasize consumer choice so that consumers can choose services that are right for them and avoid being locked into an ill-fitting overdraft payment service or program. Community banks offer an array of overdraft services and assist consumers in finding the right mix of services.

Consumers who choose to opt out of overdraft coverage for check and ACH transactions are free to do so at any point before an overdraft occurs. However, without overdraft coverage the customer is subjected to a greater fee burden which includes returned item fees and collection fees from the merchant/service provider. Consumers should not be burdened with the additional costs associated with a returned item by default when additional costs are easily mitigated by overdraft coverage. When both bank and merchant/payee fees from returned items are considered, requiring existing customers to opt in to check and ACH overdraft coverage will result in more fees, not fewer.

The regulatory environment should distinguish between ad hoc overdraft payment and automated overdraft payment programs.

Most community banks leverage their knowledge and relationship with the customer in making ad hoc overdraft payment decisions or by using hybrid programs that incorporate manual review with automated programs both to assist the customer and manage risk to the bank. Overdraft rules and regulatory oversight should continue to distinguish between automated overdraft programs and the ad hoc or discretionary overdraft coverage rooted in customer knowledge. Unless this distinction is made, any regulation, guidance or oversight targeted towards automated programs will likely apply to ad hoc programs and hamper community banks' ability to serve their customers.

Overdraft regulation must avoid unreasonable and burdensome customer contact requirements.

Community banks promptly notify their customers, usually by mail, each time a fee has been assessed. The notification identifies the date of the transaction, the type of transaction, the overdraft amount, the fee associated with the overdraft and the amount necessary to return the account to a positive balance.

The Study found that nearly half of consumers reporting an overdraft fee in the last 12 months have contacted their financial institution following an overdraft and had a fee waived or reduced. This provides an effective customer-initiated opportunity to discuss suitable alternatives before a customer becomes a frequent overdraft user, making any mandate for the bank to personally call customers (as a result of frequent overdrafts) unnecessary.

Public policy must be crafted carefully to ensure consumers' financial needs are met within the banking system.

Overdraft regulations and public policy must ensure that consumers are not subject to an increase in the number of returned transactions and subsequently forced into more costly non-bank financial services such as payday loans.

Consumer Findings

Consumer Survey Overview

The consumer findings of the *ICBA Overdraft Payment Services Study* provide a clear understanding of consumers' experiences with overdraft payment services. The Study collected data on consumers' financial habits related to overdraft services, including account monitoring habits, history of overdrafts, overdraft coverage choices, use of alternative services and small-dollar loans, and preferences regarding overdraft transactions.

In September 2011, 3,000 consumers representing a random sample of the U.S. banking population were surveyed online.[1] The survey participants all had checking accounts and banked at a megabank,[2] regional bank, community bank or credit union.[3] Unless stated otherwise, all percentages reported are for all consumers.

Key Consumer Survey Findings

All fees being equal, consumers want important transactions paid even if those transactions result in an overdraft.

Among all consumers, 85.5 percent prefer their financial institution pay at least one important transaction, such as a mortgage or rent payment, car or credit card payment or utility bill, provided a fee of an equal amount would be charged whether the transaction were paid or returned.

Most consumers avoided overdrafts over the previous 12 months.

More than three-quarters of consumers did not incur an overdraft of their account in the previous 12 months. Just under one-quarter of consumers (23.1 percent) report paying either an overdraft or returned item fee in the past 12 months.

Frequent account monitoring does not deter consumer overdrafts.

Frequent account-balance monitoring does not reduce the likelihood of consumers incurring overdrafts. While one-third of consumers review their primary checking account balance at least once daily, 33.4 percent of those consumers report paying an overdraft or returned item fee in the past 12 months.

[1] For further details of survey methodology and respondent demographics, see Appendix A.
[2] For the purposes of the consumer survey a megabank was defined as a "large bank with nationwide branches."
[3] Consumers were also able to select "other," but did not specify type.

Additionally, 86.2 percent of consumers monitor outstanding transactions, yet these consumers experienced no decrease in overdrafts.

Consumers are knowledgeable of alternative services to avoid paying overdraft fees.

Most consumers are aware of alternative services, with 89.7 percent of consumers aware of or using account transfers and 72.1 percent aware of or using lines of credit. Compared to the average consumer, those who reported an overdraft transaction in the previous 12 months are more likely to use alternative services, such as fund transfers from another account or line of credit, to avoid overdraft fees.

Consumers who use overdraft payment programs prefer them to other short-term funding options.

Consumers who use overdraft coverage are more likely to prefer the programs over other options than those who do not use the programs. The average rank among consumers with one to three overdraft transactions in the past 12 months places overdraft coverage fourth, above a credit card cash advance. Most significantly, overdraft coverage is the most preferred option for consumers with four or more overdraft transactions in the past 12 months, with an average rank of first among the seven options, higher even than borrowing from friends and family.

Consumers who use overdraft payment programs are more likely to take out a payday loan.

Among consumers paying an overdraft fee in the past 12 months, nearly 20 percent also report a payday loan. Overall, only 7.2 percent of consumers use payday loan services, while 9 percent have borrowed from their 401(k) or retirement plan.

Consumers' choice of financial institution makes a difference.

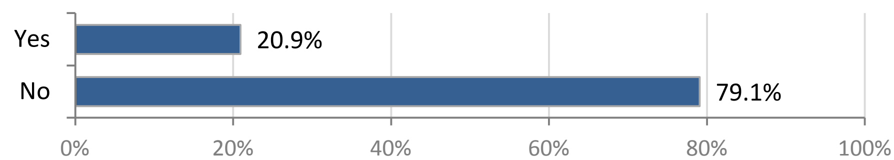
With 14.7 percent paying an overdraft fee in the previous 12 months, community bank customers incur overdraft fees less frequently than customers of megabanks (24.3 percent), credit unions (19 percent) and regional banks (18.8 percent). Community bank customers are less likely to opt out of overdraft coverage for check and ACH debit transactions (13.8 percent) and less likely to opt in to coverage for ATM and point-of-sale debit transactions (14.7 percent) than megabank customers (20.3 percent and 18.1 percent, respectively).

Consumer Survey Analysis

1. Consumer Overdraft and Returned Item Experiences

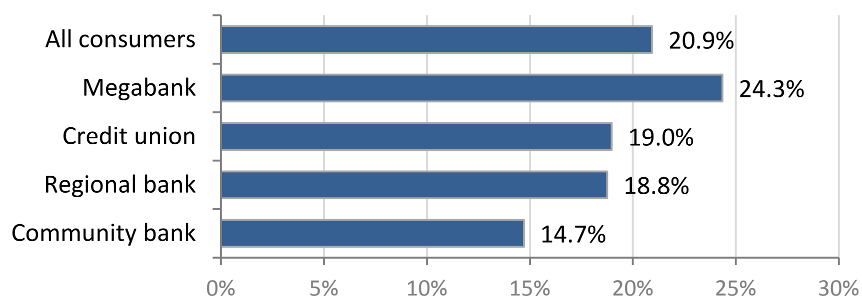
Most consumers (79.1 percent) reported that they had not paid an overdraft fee in the past 12 months. Only 20.9 percent of consumers indicated that they paid an overdraft fee in the past 12 months (Figure 1).[4]

Figure 1: Consumers Paying Overdraft Fee in Previous 12 Months



Customers of megabanks paid overdraft fees with greater frequency than the customers of other financial institutions, with 24.3 percent of megabank customers reporting they paid an overdraft fee in the past 12 months, compared with 19 percent of credit union customers, 18.8 percent of regional bank customers and only 14.7 percent of community bank customers (Figure 2).

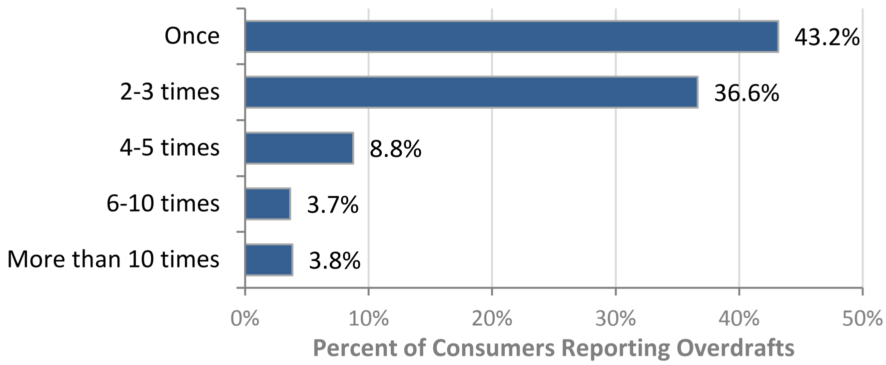
Figure 2: Consumers Paying an Overdraft Fee in the Previous 12 Months by Institution Type



Among consumers who paid an overdraft fee during the past 12 months, 43.2 percent reported paying one overdraft fee during that period. Another 36.6 percent paid two or three overdraft fees during the past 12 months, and 7.5 percent of overdraft users paid six or more overdraft fees (Figure 3).

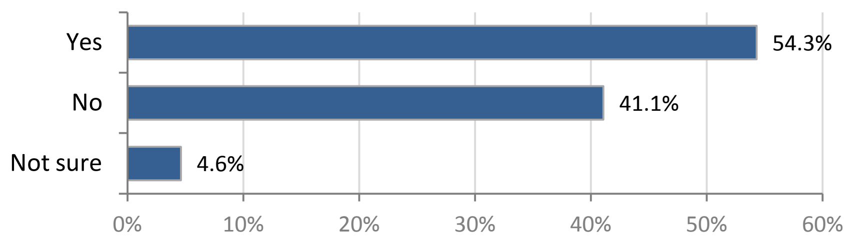
[4] A demographic breakdown of this is included in Appendix C.

Figure 3: Frequency of Overdraft Fees Among Consumers Paying Fee in Previous 12 Months



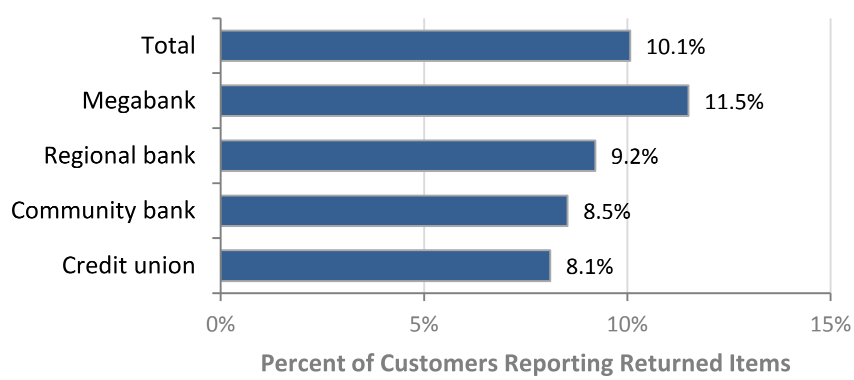
The majority of overdraft users (54.3 percent) indicated that their financial institution waived or reduced an overdraft fee in the previous 12 months (Figure 4).

Figure 4: Consumers Receiving Overdraft Fee Reductions and Waivers in Previous 12 Months



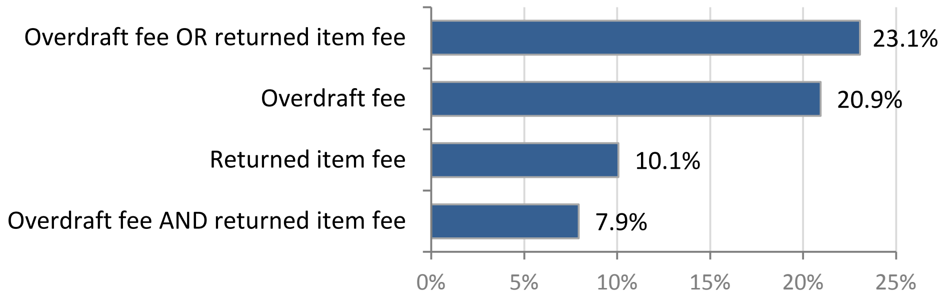
Additionally, 89.9 percent of consumers did not have a transaction returned for insufficient funds during the past 12 months. Customers of regional banks, community banks and credit unions were not as likely to experience a returned transaction as megabank customers (Figure 5).

Figure 5: Consumers Paying Returned Item Fees in Previous 12 Months



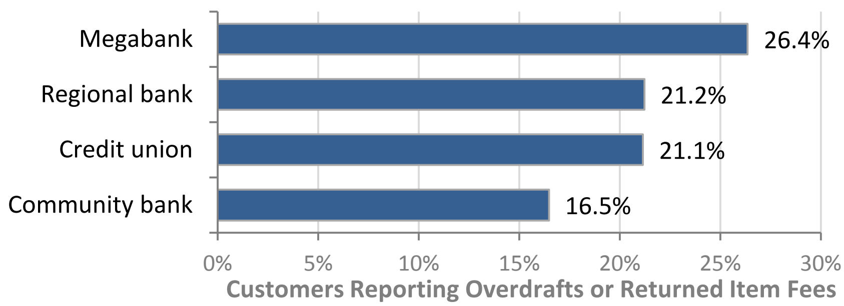
Further analysis indicates that 23.1 percent of consumers have had an overdraft of their account in the past 12 months, whether the item was paid or returned (Figure 6).

Figure 6: Consumer Overdraft Transactions in Previous 12 Months



The percentage of consumers who have incurred either an overdraft or returned item fee or both is slightly higher than the percentage of consumers incurring only an overdraft fee for each institution type (Figure 7).

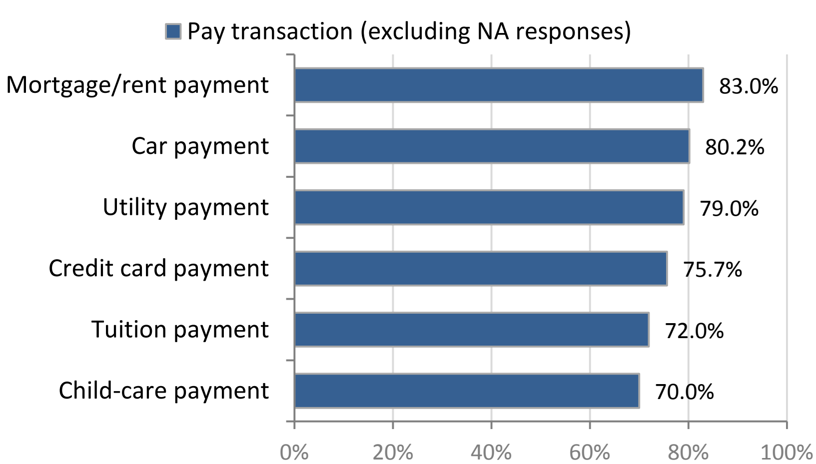
Figure 7: Consumers with Overdraft or Returned Item in Previous 12 Months by Institution Type



2. Consumer Overdraft Payment Preferences

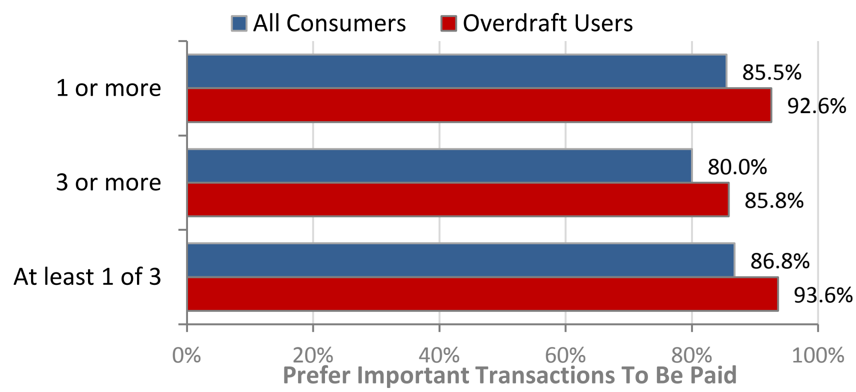
The majority of consumers prefer to have check or ACH items for important transactions paid rather than returned, provided the fees incurred were the same. Consumers indicated a clear preference for specific important transactions to be paid if they would overdraw their account (Figure 8).

Figure 8: Consumers' Important Transaction Payment Preference



Overwhelmingly, consumers want their financial institution to pay checks or ACH items that would result in an overdraft, with 85.5 percent of consumers indicating they would prefer one or more applicable important transactions to be paid (Figure 9).

Figure 9: Consumers' Preference for Payment of Overdraft Transactions



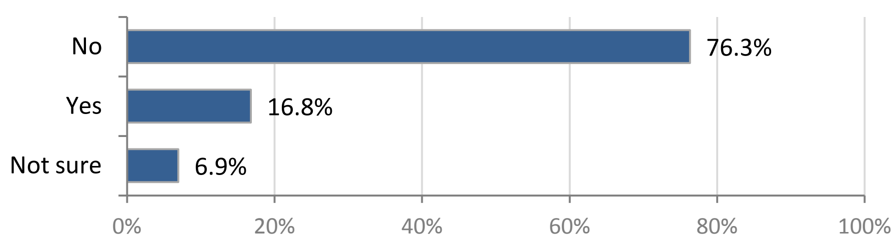
Among consumers with three or more applicable important transactions, 80.0 percent prefer three or more important transactions to be paid rather than returned. With 86.8 percent of consumers with three or more applicable transactions preferring at least one transaction to be paid, consumers with more applicable important transactions are more likely to prefer transactions to be paid rather than returned.

Among consumers who have incurred overdrafts in the previous 12 months, the preference for payment is stronger with 91.5 percent of consumers preferring one or more applicable important transactions to be paid rather than returned. Of overdraft users with three or more applicable important transactions, 85.8 percent prefer three or more to be paid rather than returned.

3. Consumer Overdraft Choices

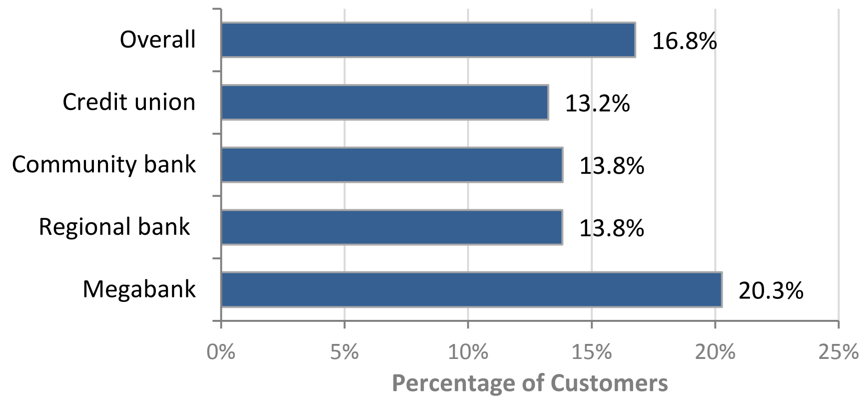
Consumers have choices regarding the types of transactions covered by bank overdraft payment programs. Given their preference for important transactions to be paid rather than returned, the majority of consumers have not chosen to opt out of overdraft coverage for check and ACH transactions (Figure 10).

Figure 10: Consumers Opting Out of Overdraft Coverage for Check and ACH Transactions



Customers who bank with megabanks opt out of overdraft coverage for check and ACH transactions more frequently than customers of other types of financial institutions (20.3 percent). Customers who bank with regional banks, community banks and credit unions are less likely to opt out (Figure 11).

Figure 11: Consumers' Check and ACH Transaction Opt-Out Status by Financial Institution Type



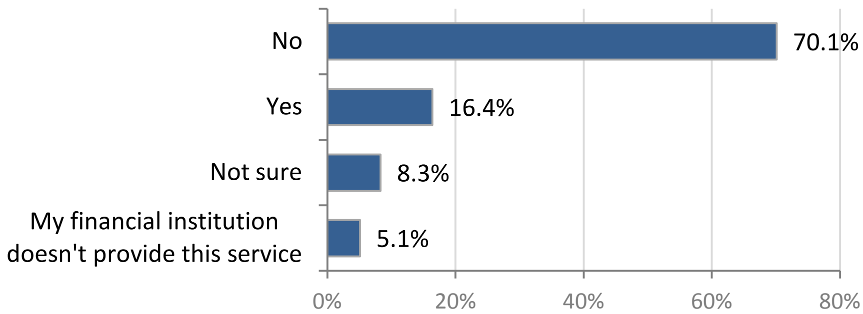
Consumers who have paid an overdraft fee are more likely to opt out of overdraft coverage for check and ACH debit transactions (29.6 percent) than those who have not (13 percent of all consumers). A quarter of consumers who opt out of overdraft services for check and ACH debit transactions (24.5 percent) paid a returned item fee in the past 12 months, more than three times the rate of those who do not opt out of overdraft services.[5]

Those who have not had an overdraft item in the past 12 months are least likely to opt out of overdraft coverage for check and ACH debit transactions.

Few consumers choose to opt in to overdraft coverage for ATM and point-of-sale debit transactions. Only a small percentage (16.4 percent) of consumers reported they have chosen to opt in to overdraft coverage for ATM and point-of-sale debit transactions (Figure 12). Another 8.3 percent of consumers are unaware whether they have opted into ATM and point-of-sale coverage and are slightly more likely to have paid an overdraft fee in the past 12 months (more likely by 3.9 percentage points). These individuals are more likely to hold their primary checking account at a megabank or a regional bank than average (more likely by 8.3 percentage points).

[5] The data suggest most consumers understand their overdraft choices with only 5.3 percent indicating they have chosen to opt out of overdraft coverage for check and ACH transactions and opt in to coverage for ATM and point-of-sale debit transactions.

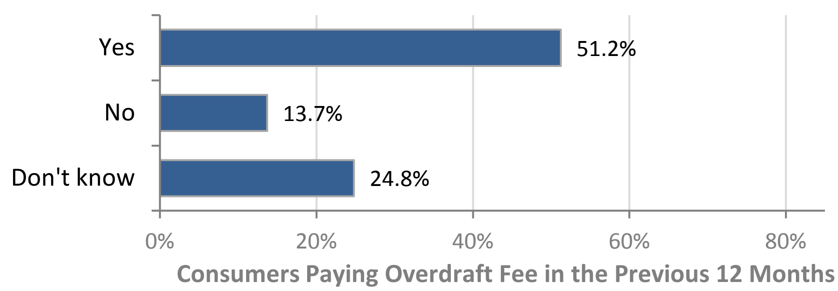
Figure 12: Consumers Opting In to Overdraft Coverage for ATM/Point-of-Sale Debit Card Transactions



Community bank customers are less likely to opt in to overdraft coverage for ATM and point-of-sale debit transactions (14.7 percent), while megabank customers are the most likely (18.1 percent) to opt in. Community bank customers are also somewhat less likely to be unsure whether they have opted in to such coverage (7.6 percent) than megabank and regional bank customers (9.2 percent and 9.7 percent, respectively).

Consumers who opt in to overdraft coverage for ATM and point-of-sale debit transactions are more than twice as likely to have paid an overdraft fee in the past 12 months (Figure 13).

Figure 13: ATM/Point-of-Sale Debit Opt-In Status of Consumers Reporting Overdraft Fees in Previous 12 Months



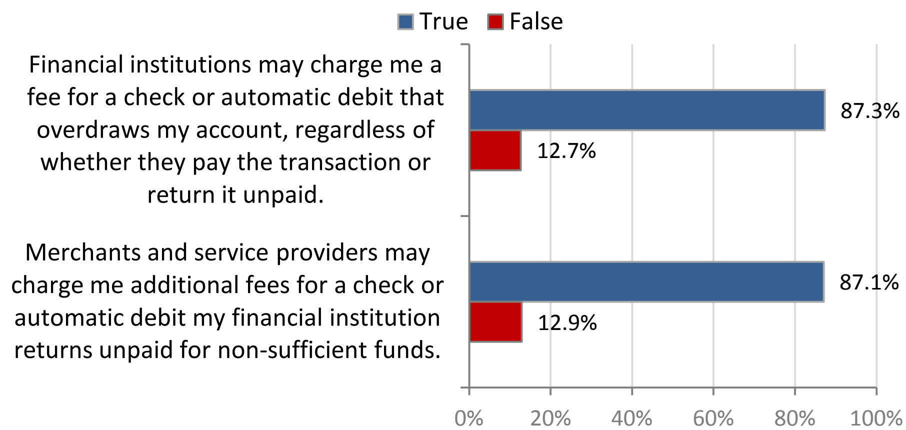
4. Consumer Understanding of Potential Overdraft Consequences

Consumers understand the potential consequences of returned items, with over 87 percent acknowledging that both financial institutions and merchants may charge fees for returned transactions.[6]

[6] Respondents were asked whether two true statements about financial institution and merchant/service provider fees were true or false. While 12.7 percent of consumers did not know that banks may charge fees for returned items, this had only moderate impact on their choice to opt out of overdraft coverage. Such consumers were slightly more likely to opt out of overdraft coverage for check and ACH transactions (more likely by 2.3 percentage points). Another 12.9 percent of consumers did not know that merchants and service providers may charge additional fees for returned transactions. This group had an opt-out rate 5.1 percentage points higher than the other consumers. Please see Figure 20.

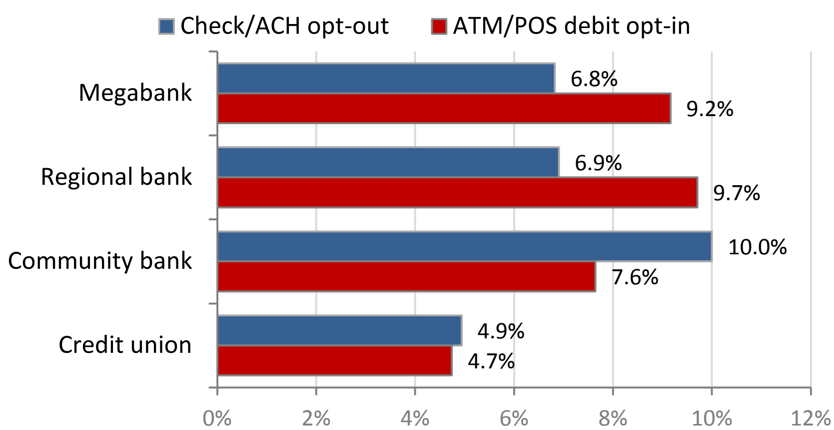
The vast majority of the consumers (87.1 percent) understood that merchants may charge additional fees for a check or automatic debit returned by a financial institution. Similarly, the vast majority of consumers (87.3 percent) knew that their financial institution may charge fees for any overdraft item, regardless of whether the overdraft is paid or returned (Figure 14).

Figure 14: Consumers' Understanding of Potential Overdraft Consequences



Another measure of consumer understanding of overdraft was the percentage of respondents who reported they were unsure whether they had chosen to opt out of overdraft coverage for check and ACH transactions or whether they had chosen to opt in to overdraft coverage for ATM and point-of-sale debit transactions (Figure 15).

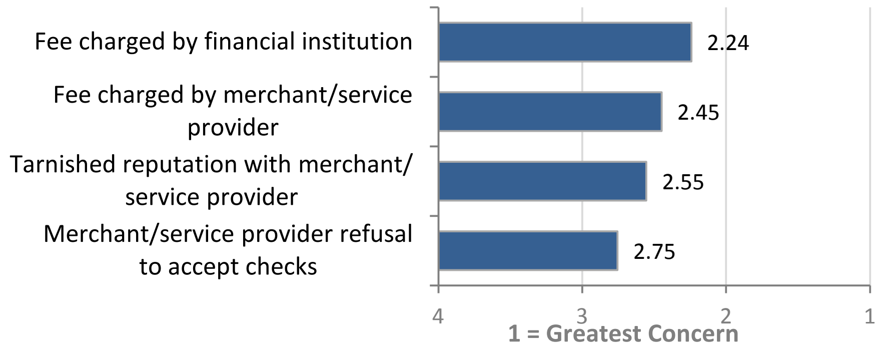
Figure 15: Consumers "Not Sure" of Overdraft Status by Financial Institution Type



5. Consumer Concerns about Returned Items

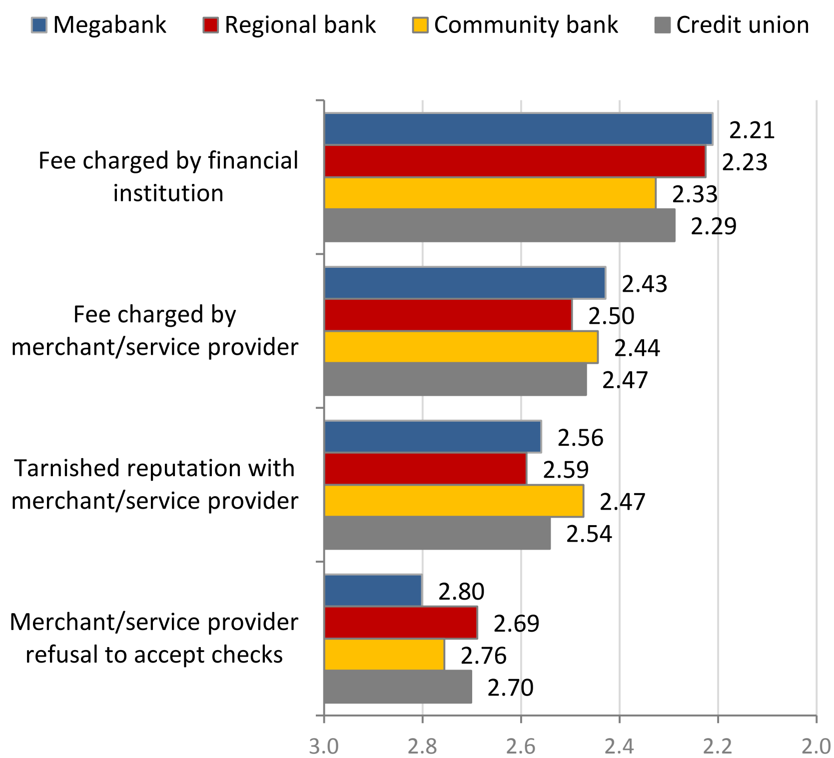
Consumers ranked the fees charged by financial institutions and merchants as their primary concerns about returned transactions. They ranked the damage to their reputation with the merchant/service provider and the refusal of merchant/service providers to accept checks as lesser concerns (Figure 16).

Figure 16: Mean Rank of Consumer Concerns Regarding Returned Items



Community bank customers were less concerned about bank fees than customers of megabanks, regional banks or credit unions. However, community bank customers were more concerned about their reputation than customers of other types of financial institutions (Figure 17).

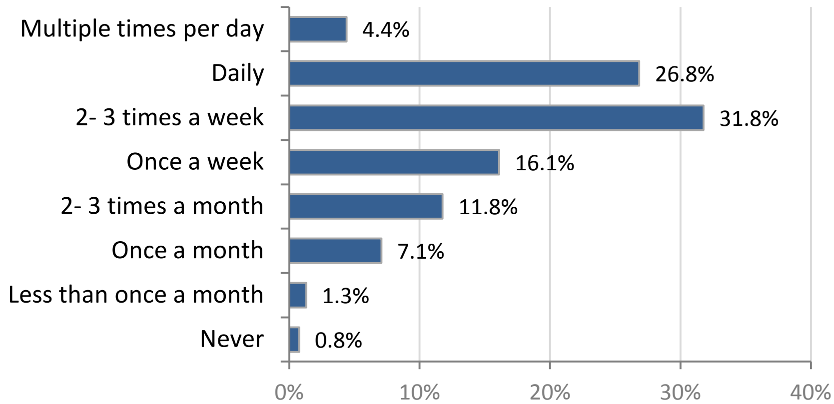
Figure 17: Mean Rank of Consumer Returned Item Concerns by Institution Type



6. Consumer Frequency of Account Monitoring

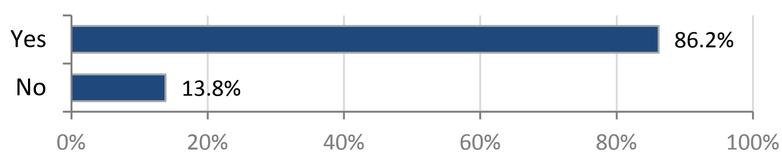
Leveraging new technologies, such as the Internet and mobile phones, financial institutions now operate 24/7 banking channels that enable customers to review their account balances and payment activity more frequently. This trend is borne out in the Study, with 31.2 percent of consumers reviewing their account balance at one or more times daily and 63.0 percent of consumers doing so more than once a week. Only 2 percent of consumers said that they review their account less frequently than once a month. Customers who bank with a community bank access their accounts less frequently than customers who bank with a megabank, at 25.3 percent versus 36 percent doing so on a daily basis and 57.6 percent versus 67.4 percent doing so more than once a week, respectively.

Figure 18: Frequency of Consumer Account Balance Monitoring



Most consumers (86.2 percent) said that they review their account activity to monitor outstanding transactions (Figure 19). Community bank customers review their transaction activity somewhat less frequently than customers of other financial institutions. The survey revealed that 88 percent of megabank customers review their transactions for outstanding items compared with 82 percent of community bank customers.

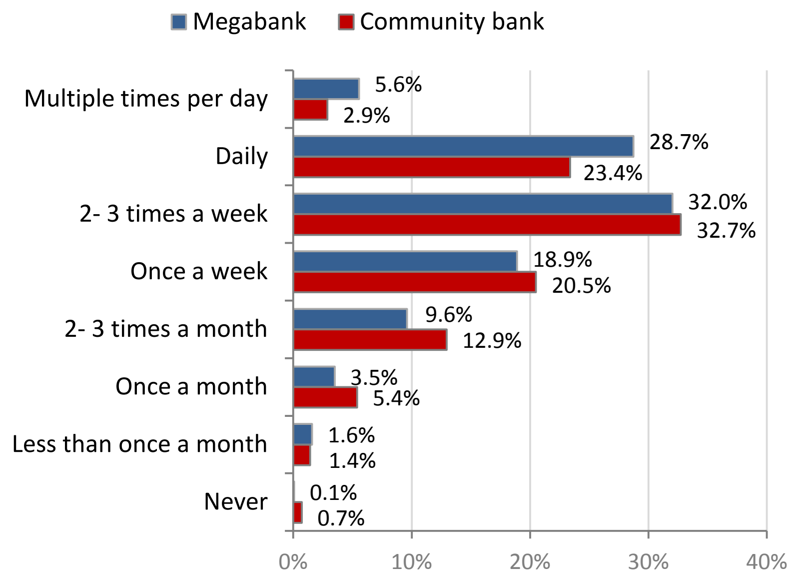
Figure 19: Consumer Monitoring of Outstanding Items



Consumers monitor their outstanding items at a similar frequency to that with which they review their account balances, with 26.2 percent doing so one or more times daily and 54 percent doing so more than once a week.

Megabank customers monitor their accounts for outstanding transactions more frequently than community bank customers (Figure 20). More than one-third (36.0 percent) monitor their account balance on a daily basis, compared with only one-quarter (25.3 percent) of community bank customers. Two-thirds of megabank customers (66.3 percent) review their outstanding transactions several times a week, compared with just over half (54 percent) of consumers overall.

Figure 20: Frequency of Consumer Monitoring for Outstanding Items

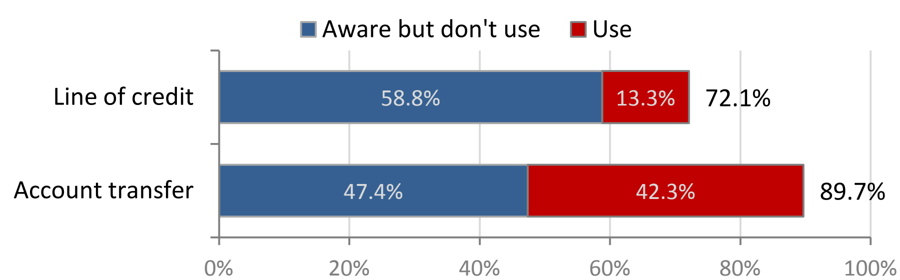


Consumers who report having an overdraft in the past 12 months or who frequently overdraft their account[7] tend to more closely monitor their account balances and outstanding transactions.

7. Consumer Awareness and Use of Overdraft Alternatives

Most consumers (89.7 percent) were aware of the availability of an account-transfer service. Only 10.3 percent of consumers were not aware that their financial institution offered an account-transfer service. However, somewhat fewer consumers (72.1 percent) were aware that their financial institution offered a line-of-credit service. Consumers use account-transfer services more than line-of-credit services to avoid overdraft fees (Figure 21).

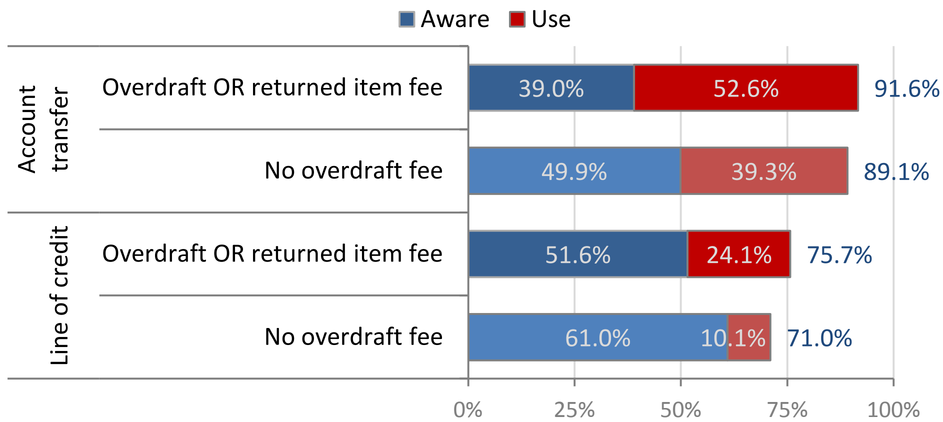
Figure 21: Consumer Awareness and Usage of Overdraft Alternatives



[7] For the purposes of the Study, frequent overdraft users are consumers who report four or more paid overdraft transactions in the past 12 months. See Appendix B.

Consumers who have incurred overdraft or returned item fees in the previous 12 months are more likely to use alternative services such as account transfer (52.6 percent) and line of credit (24.1 percent) than consumers who have not (39.3 percent and 10.1 percent, respectively). Overall awareness of overdraft alternatives was also higher among consumers who have incurred overdraft or returned item fees in the previous 12 months (Figure 22).

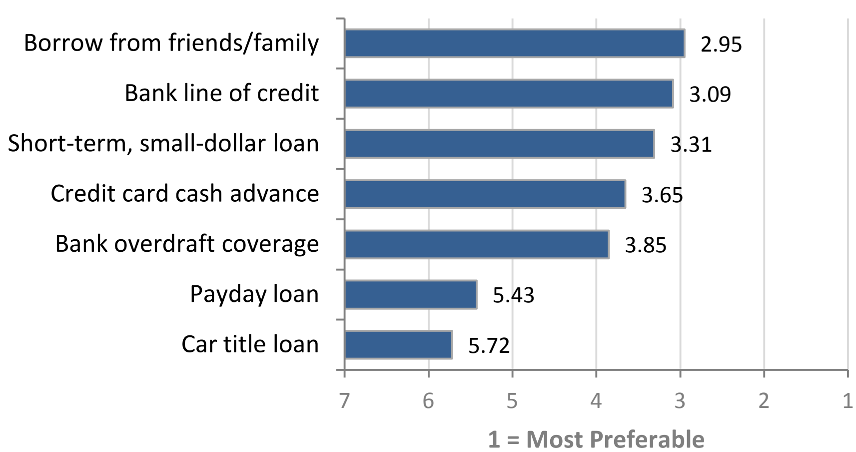
Figure 22: Awareness and Use of Overdraft Alternatives by Consumers Incurring Overdrafts



8. Preferred Consumer Short-Term Funding Sources

Most consumers would prefer to borrow from friends or family to meet a short-term financial need, with 39.3 percent ranking it as their first choice. Their second preference was a bank line of credit; third was a short-term, small-dollar loan from their bank (Figure 23).

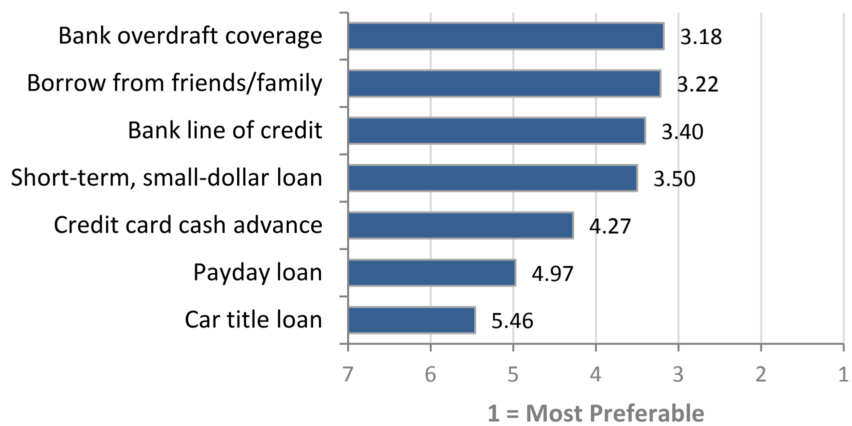
Figure 23: Mean Rank of Consumers' Preferred Sources of Short-Term Funds



When consumers rank their preference for bank overdraft coverage among several sources of short-term funds, the mean rank is similar to that of a credit card cash advance. The least preferable options were those outside the banking system—a payday loan or a car title loan. Access to a line of credit or a short-term, small-dollar loan may be preferable, but consumers view overdraft coverage as a clearly preferable option to a payday loan.

Consumers who use overdraft coverage rank it higher on average than those who do not. For consumers with one to three overdraft transactions in the past 12 months, the mean rank of overdraft coverage places it fourth, above a credit card cash advance. For consumers with four or more overdraft transactions in the previous 12 months, the mean rank of overdraft coverage is first, above borrowing from friends and family (Figure 24).

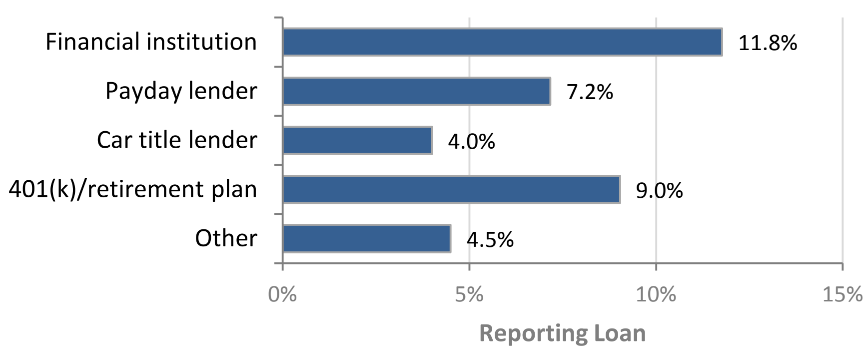
Figure 24: Mean Rank of Frequent Overdrafters' Preferred Sources of Short-Term Funds



9. Consumer Sources for Short-Term, Small-Dollar Loans

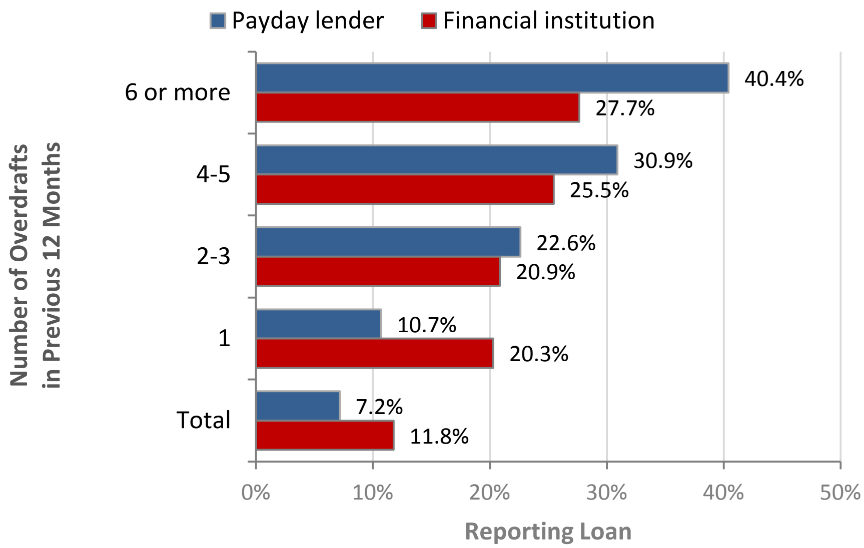
Most consumers (76.6 percent) have never taken out a short-term, small-dollar loan. Consumers most frequently obtain short-term, small-dollar loans from their financial institution (11.8 percent), from their 401(k)/retirement plan (9.0 percent) and from a payday lender (7.2 percent, Figure 25).

Figure 25: Consumer Short-Term, Small-Dollar Loan Sources



The percentage of consumers who have taken out a payday loan increases with the number of overdraft fees they reported in the past 12 months (Figure 26).

Figure 26: Consumer Use of Small-Dollar and Payday Loans by Frequency of Overdrafts



ICBA Overdraft Payment Services Study

Community Bank Findings

Community Bank Survey Overview

The community bank findings of the *ICBA Overdraft Payment Services Study* explain how community banks manage consumer overdraft payment services, how they control their risk exposure to overdrawn accounts and whether they meet the account overdraft coverage needs of their customers. The community bank survey reviews overdraft payment programs, in which the bank analyzes an overdrawn account for payment, and alternative services, in which customers can choose to transfer funds from a designated account or line of credit or to advance funds from a short-term, small-dollar loan to avoid an overdraft. The survey also collects data on management practices, controls used, fees charged, customer usage, customer disclosures and transaction posting order.

Key Community Bank Survey Findings

Community banks effectively disclose the features of their overdraft payment programs and inform customers of alternative services.

All community banks (100 percent) inform their customers about the details of their overdraft payment programs, and the vast majority of community banks (97 percent) inform their customers of alternative services. Community banks deploy various communication channels, such as accounts disclosures, customer contact personnel and statement inserts to inform customers of service alternatives. Among community banks with automated and hybrid programs, 87.6 percent include coverage limits in account disclosures.

Community banks structure transaction posting to minimize the potential for overdrafts and overdraft fees.

The survey results show that community banks' deposit account operations are designed to be fair to their customers and minimize the potential for overdraft fees. Almost all community banks (95 percent) post credits before debits. The vast majority of community banks post credits first, electronic debits next and checks last. When posting checks, most community banks post in either low-to-high transaction amount or in check number order as encouraged by regulators and consumer groups. To further reduce the incidence of overdraft fees, three-quarters of community banks transfer available funds from a customer-enrolled account to prevent the activation of overdraft payment services.

Community banks provide reasonable overdraft fees and *de minimis* waivers to avoid excessive fees for their customers.

When an overdraft does occur, community banks charge a reasonable amount with a mean fee under $28. Most community banks (78.2 percent) will waive overdraft fees for *de minimis* overdraft amounts under an average *de minimis* threshold of $15. When consumers use alternative services, community banks charge an average APR of 15.9 percent for a line of credit and 18 percent for a deposit advance loan.

New regulation and supervisory guidance issued during the past two years have limited community banks' overdraft income.

During the past two years, a new regulation and supervisory guidance were issued to offer additional consumer protections for overdraft payments services.[8] Since these requirements went into effect very few community banks have reported increased overdraft income.

Community banks effectively manage bank risk to ensure safety and soundness.

Consistent with sound risk-management practices, community banks generally have their overdraft policies reviewed by their board of directors and procedures reviewed by senior management to control the bank's overdraft exposure. Additionally, almost all community banks set limits on the amount of overdrafts that will be paid, with the majority setting variable limits ranging from less than $400 to more than $1,000 based on risk.

[8] The Federal Reserve Board's changes to Regulation E, which went into effect on July 1, 2010, prohibit financial institutions from charging consumers fees for paying overdrafts on automated teller machine (ATM) and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft payment service for those types of transactions. Additionally, the FDIC issued guidance on overdraft payment programs which went into effect on July 1, 2011, advising FDIC-supervised banks to, among other things, provide clear and meaningful disclosures, comply with Regulation E opt-in requirements, honor opt-out requests for check and ACH debit transactions, and monitor excessive overdraft usage and contact customers when they incurred six or more overdrafts in a rolling 12-month period.

Community Bank Survey Analysis

1. Community Bank Overdraft Payment Services

Almost all community banks (98 percent) offer overdraft payment services.[9] Automated or hybrid programs are deployed by 48.1 percent of community banks (11.1 percent and 37 percent, respectively). The remaining half (50.4 percent) have ad hoc programs where employees manually review and determine which overdrafts to pay (Figure 27). Most community banks with more than $250 million in assets offer an automated or hybrid program (71.1 percent) while most community banks with less than $100 million in assets have ad hoc programs (70.8 percent).

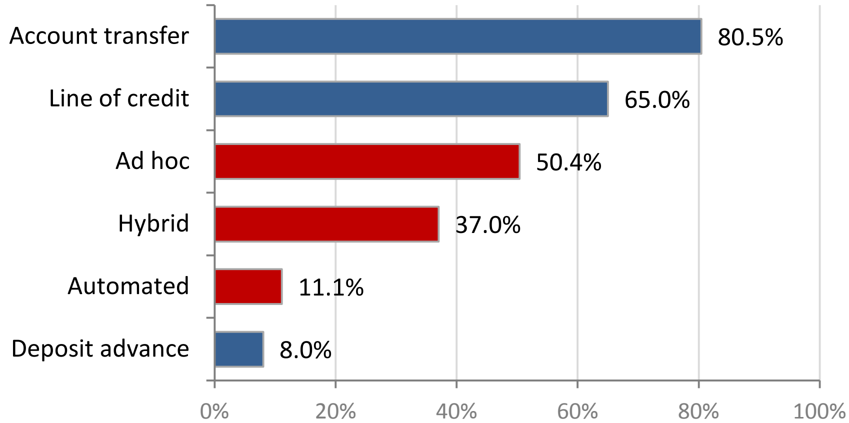
Alternative services[10] require customers to enroll in the overdraft service and designate the account or line of credit from which funds will be transferred in case of an overdraft. Alternative services transfer funds from nominated accounts or credit lines to prevent the activation of overdraft payment program coverage. Most community banks offer transfer from other account (80.5 percent) and a majority offer transfer from line of credit (65.0 percent, Figure 27).

Almost three-quarters of community banks (71 percent) offer customers both overdraft payment program and an alternative service. Urban community banks are the least likely to offer each type of service although more than half (63.3 percent) offer both. Large community banks (over $501 million in assets) are more likely to offer transfers from a line of credit or from another account (96.4 percent).

[9] In the Study, *overdraft payment services* refers to the services banks offer customers who have negative account balances to ensure that the overdraft is paid, if possible, rather than returned. *Overdraft payment programs* specifically refers to the decision to pay or return an overdraft transaction. There are three types of overdraft payment programs addressed in the Study: *automated program*, an application that analyzes and approves overdrafts for payment based on criteria set for all customers or for specific customer segments; *hybrid program*, an automated application that analyzes and suggests approval of overdrafts for payment which are then analyzed by a bank employee for a final decision; and, *ad hoc program*, where overdrafts are analyzed for payment by a bank employee who makes the decision for payment unaided by an automated program.

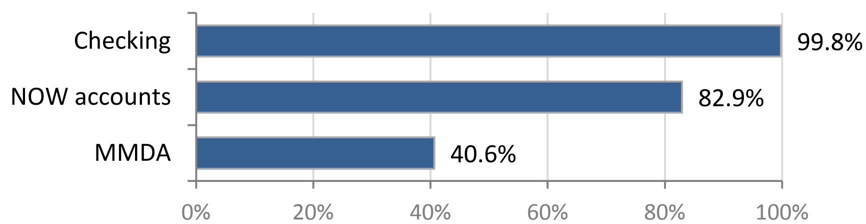
[10] Alternative services refer to the other options a bank may offer its customers to avoid returned items. These include: *transfer from line of credit*, a service that will automatically transfer funds from a customer-designated credit account to cover an overdraft*; transfer from other account*, a service that will transfer funds from a customer-designated deposit account, to cover an overdraft; *deposit advance program*, a type of short-term, small-dollar loan which advances money on a recurring direct deposit to cover an overdraft; and *short-term, small-dollar loan*, a consumer loan that normally includes an APR below 36 percent, a repayment period of more than one pay cycle, prompt loan application processing and no or low origination fees.

Figure 27: Community Bank Overdraft Payment Programs and Alternative Services



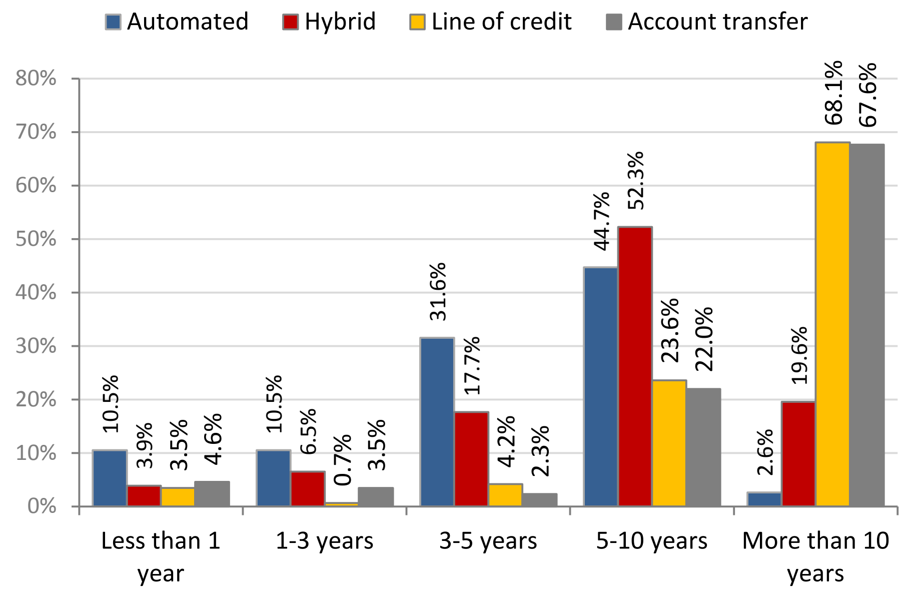
Community banks provide overdraft coverage on most types of transaction accounts (Figure 28), such as checking accounts, negotiable order of withdrawal (NOW) accounts and money market deposit accounts (MMDAs).

Figure 28: Account Types Covered by Community Bank Overdraft Payment Services



Over the past 10 years, overdraft payment programs have become well-established features of community bank transaction accounts (Figure 29). Most banks with automated or hybrid programs have offered them for more than three years (79 percent for automated programs and 90 percent for hybrid programs). Large community banks (over $501 million in assets) have offered overdraft payment programs the longest, with 27.7 percent initiating their program more than 10 years ago.

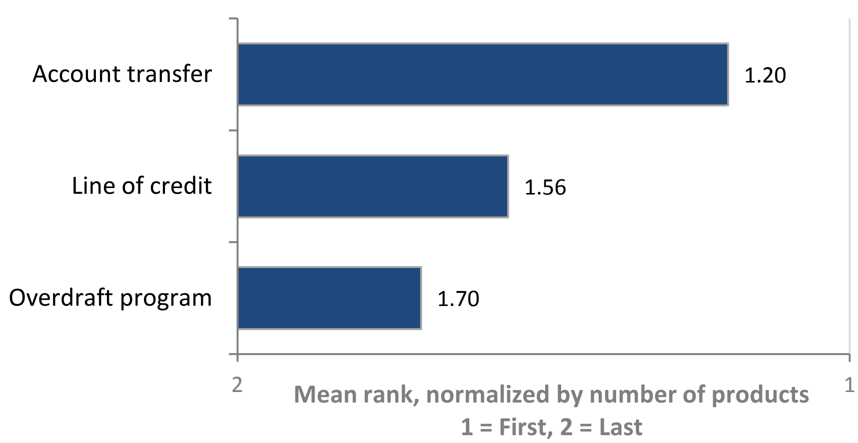
Figure 29: Age of Community Bank Overdraft Payment Services



Overdraft alternative services were established more than 10 years ago, when few community banks offered automated overdraft payment programs. Among community banks that have a service to transfer funds from another deposit account to cover an overdraft, 89.6 percent have offered the service for five or more years. The majority of community banks (67.6 percent) have offered the service for 10 or more years. The same is true for transfers from a line of credit, where 91.7 percent of community banks that offer this service have done so for five or more years and 68.1 percent have done so for 10 or more years.

The order that community banks activate overdraft services is designed to make it less likely that a customer's transaction will be returned unpaid. When an overdraft occurs, community banks use the customer's other designated deposit accounts for transfer first, followed by transfer from a line of credit before activating the overdraft payment program (Figure 30).

Figure 30: Community Banks' Order of Overdraft Payment Services Activation

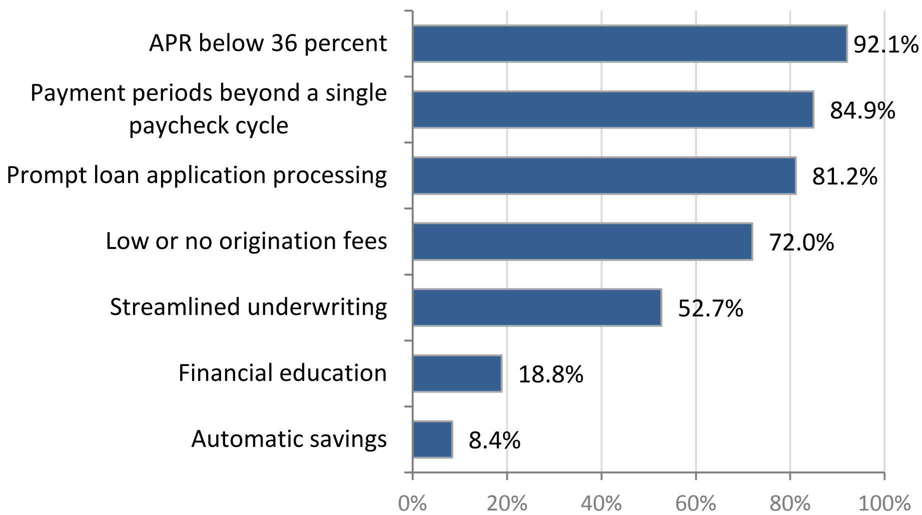


To cover an overdraft with an account transfer, 65.8 percent of community banks transfer in incremental amounts[11] rather than the exact amount of the overdraft from other accounts. This occurs in a larger percentage (80 percent) of community banks under $100 million in assets. The same is true for transfers from a line of credit, with 75.9 percent of community banks making transfers in incremental amounts.

2. Alternative Services: Deposit Advances and Small-Dollar Loans

Over half of the community banks surveyed indicate that they offer short-term, small-dollar loans (56.5 percent). In general, community banks' short-term, small-dollar loan features include an APR below 36 percent, a repayment period of more than one paycheck cycle, prompt loan application processing and no or low origination fees (Figure 31).

Figure 31: Features of Community Bank Short-Term, Small-Dollar Loans

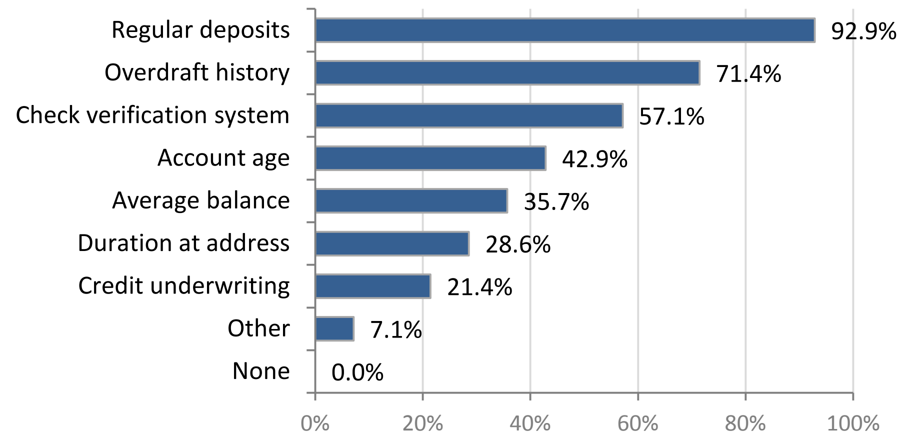


Only 8 percent of community banks offer a deposit advance program. All community banks that reported offering a deposit advance program have done so for three or more years.

Among community banks that offer a deposit advance program, all (100 percent) have eligibility requirements for the service. Most community banks determine eligibility based on regular deposits (92.9 percent) or overdraft history (71.4 percent). Community banks also commonly use check-verification systems (57.1 percent) in assessing consumer eligibility (Figure 32).

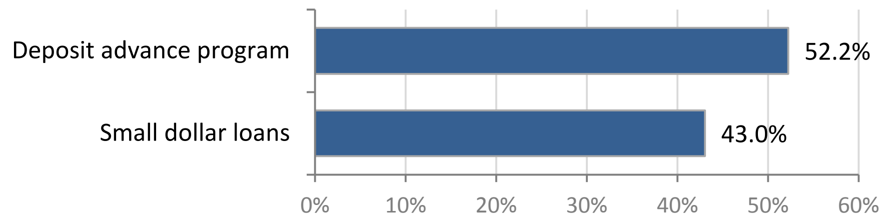
[11] Incremental amounts are a fixed amount or multiples of a fixed amount; for example, multiples of $100.

Figure 32: Community Bank Customer Eligibility Requirements for Deposit Advances



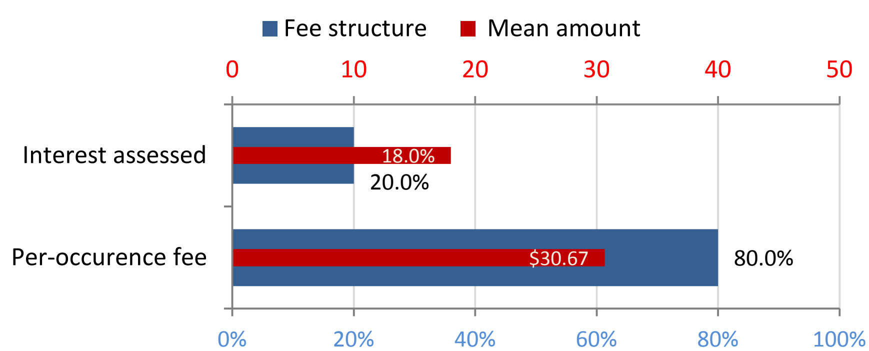
Overall, community banks report a 43 percent eligibility/acceptance rate for short-term, small-dollar loans and a 52.2 percent eligibility/acceptance rate for deposit advance programs (Figure 33).[12]

Figure 33: Community Bank Eligibility/Acceptance Rates for Alternative Services



As they do with overdraft payment programs, most community banks (80 percent) impose a per-occurrence fee for customers using a deposit advance service with an average fee just over $30. Some community banks (20 percent) assess interest, with an average APR of 18.0 percent (Figure 34).

Figure 34: Community Bank Deposit Advance Interest and Fee Structure



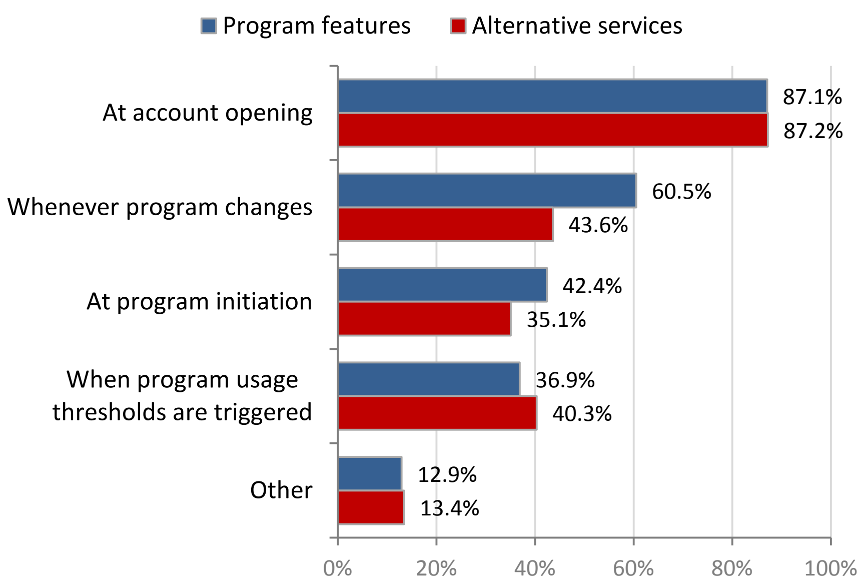
[12] The data suggests that some respondents may have provided participation rates instead of eligibility/acceptance rates.

3. Community Bank Overdraft Program Disclosure

All community banks (100 percent) inform customers about the features of overdraft payment programs. These disclosures occur during the account opening stage (87.1 percent), when the program changes (60.5 percent), at program initiation (42.4 percent) or when the program usage threshold is triggered (36.9 percent, Figure 35). Large community banks (over $501 million in assets) are more likely to inform customers regarding account details through account disclosures and in marketing materials, while small community banks (less than $100 million in assets) are more likely to present information in account statements.

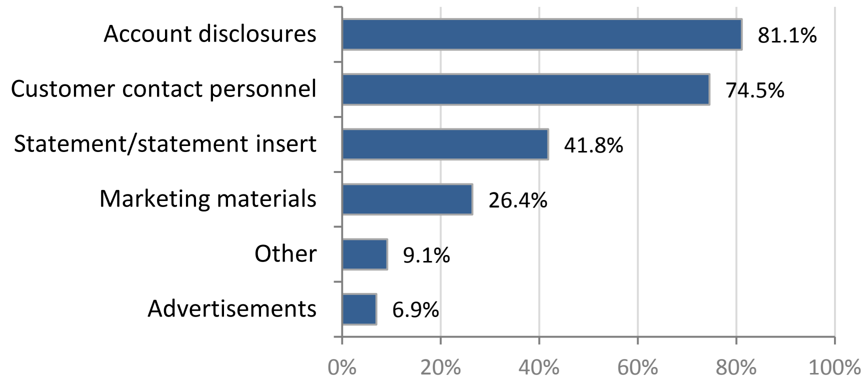
The vast majority of community banks (97 percent) also inform their customers about alternative overdraft services. Most community banks do so at account opening (87.2 percent) and a significant number do so again when there are changes to the program (43.6 percent) or when overdraft program usage thresholds are triggered (40.3 percent, Figure 35).

Figure 35: Community Bank Disclosure of Overdraft Payment Program Features and Alternative Services



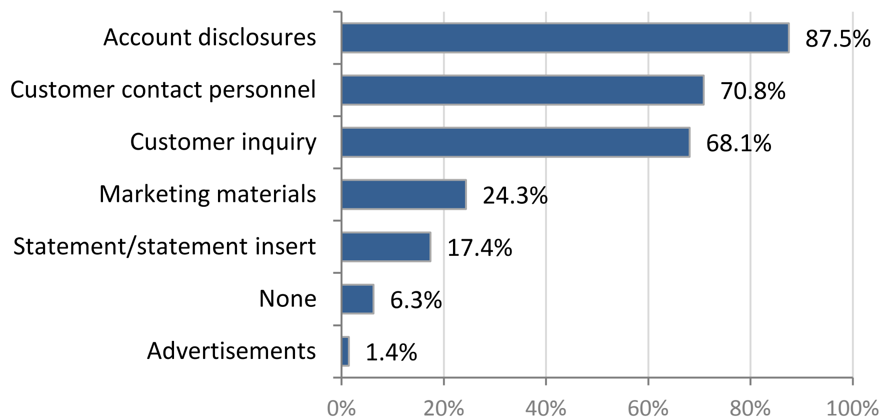
Community banks deploy a variety of communication channels, including account disclosures, customer contact personnel or statement inserts, to inform customers of overdraft payment services (Figure 36).

Figure 36: Community Bank Communication Channels for Customer Disclosure



Most community banks disclose overdraft coverage limits so customers are better able to manage their accounts and overdraft usage. Among community banks with automated and hybrid programs, 87.5 percent include program coverage limits in account disclosures (Figure 37). All community banks with automated programs and 92 percent of community banks with hybrid programs disclose coverage limits through at least one communication channel.

Figure 37: Community Bank Disclosure of Overdraft Coverage Limits



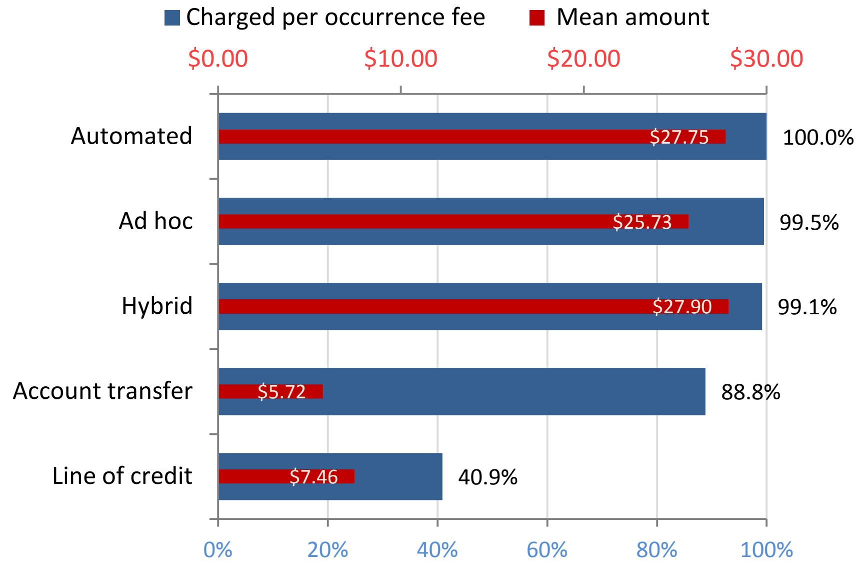
4. Community Bank Overdraft Fees and Coverage Limits

Almost all community banks (99 percent) charge a per-occurrence fee when they pay an overdraft. The per-occurrence fee averaged $27.75 for automated programs, $27.90 for hybrid programs and $25.73 for ad hoc programs (Figure 38).[13] When returning an overdraft item unpaid, community banks charge an average fee of $26.02. In contrast, the 14 largest banks charge an average fee of $35 and overdrafts may trigger a number of additional fees increasing the total cost of an overdraft to the consumer.[14]

[13] These fees are in line with the FDIC *Study of Banks Overdraft Programs* published in November 2008, which reported an average fee of $27.12 for automated programs.

[14] According to the 2011 Consumer Federation of America Survey of Big Bank Overdraft Loan Fees and Terms. Available here: http://www.consumerfed.org/pdfs/OD-14BankSurvey-ChartAugust2011.pdf.

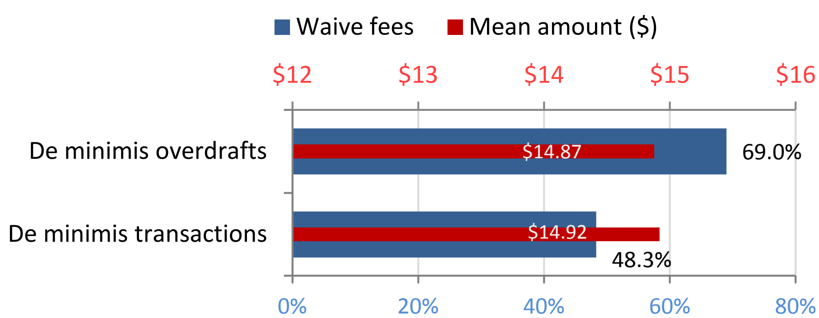
Figure 38: Community Bank Overdraft Fee Structure



Most community banks assess a fee when transferring funds from another deposit account to cover an overdraft, with 88.8 percent charging a per-occurrence fee with a mean amount of $5.72.

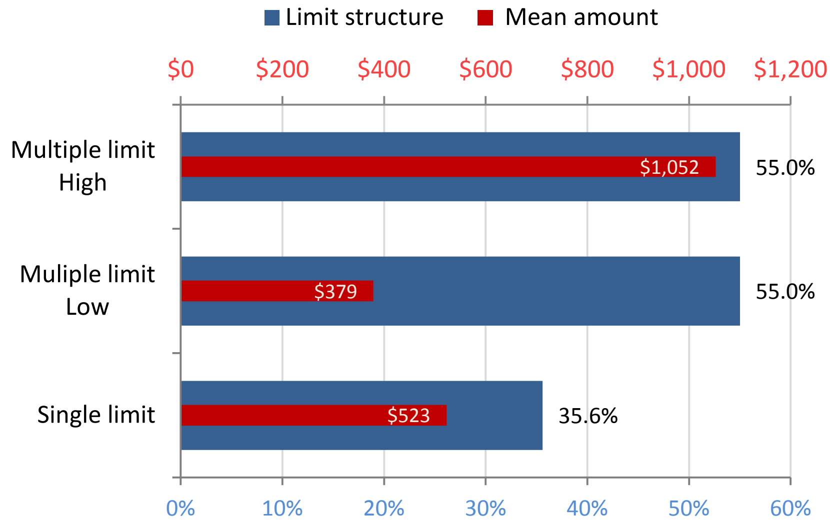
Fee waivers for *de minimis* transaction amounts or *de minimis* overdraft amounts are offered by 78.2 percent of community banks. Among community banks with automated or hybrid programs, 69.0 percent of community banks waive fees for *de minimis* overdraft amounts, 48.3 percent waive fees for *de minimis* transaction amounts and 29.7 percent do both. The average *de minimis* limit is around $15 for both transaction amount and overdraft amount (Figure 39).

Figure 39: Community Bank Overdraft *De Minimis* Fee Waivers



More than one-third (35.6 percent) of community banks deploying automated and hybrid programs set a single standard limit for all accounts eligible for overdraft coverage, with an average limit of $523. Most community banks (55.0 percent) set multiple limits based on account eligibility characteristics, with a lower limit mean of $379 and a high limit mean just over $1,000 (Figure 40).

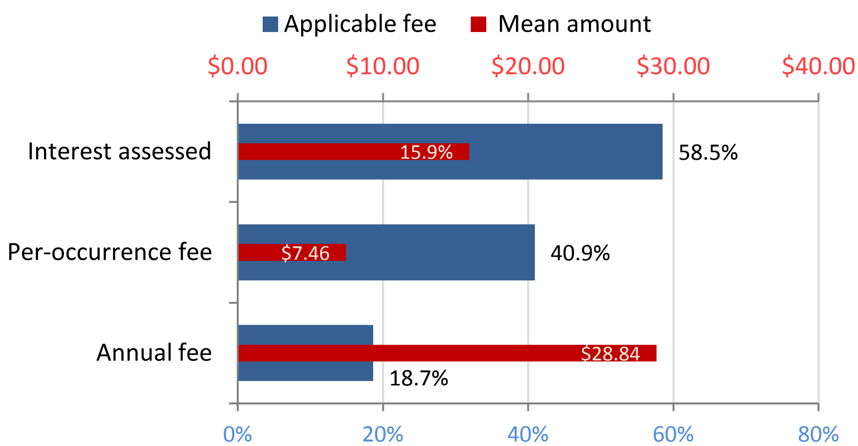
Figure 40: Community Bank Overdraft Program Limits



Among community banks deploying a hybrid program, 35.2 percent determine items to be paid or returned on a case-by-case basis after employee review, rather than establishing standardized limits.[15]

For transfers from line-of-credit accounts, most community banks (58.5 percent) charge interest as part of the overdraft fee structure and reported a mean APR of 15.9 percent.[16] Some community banks (40.9 percent) charge a per-occurrence fee at a mean amount of $7.46. Another 18.7 percent charge an annual fee with a mean amount of $28.84 (Figure 41).

Figure 41: Community Bank Line of Credit Fee Structure

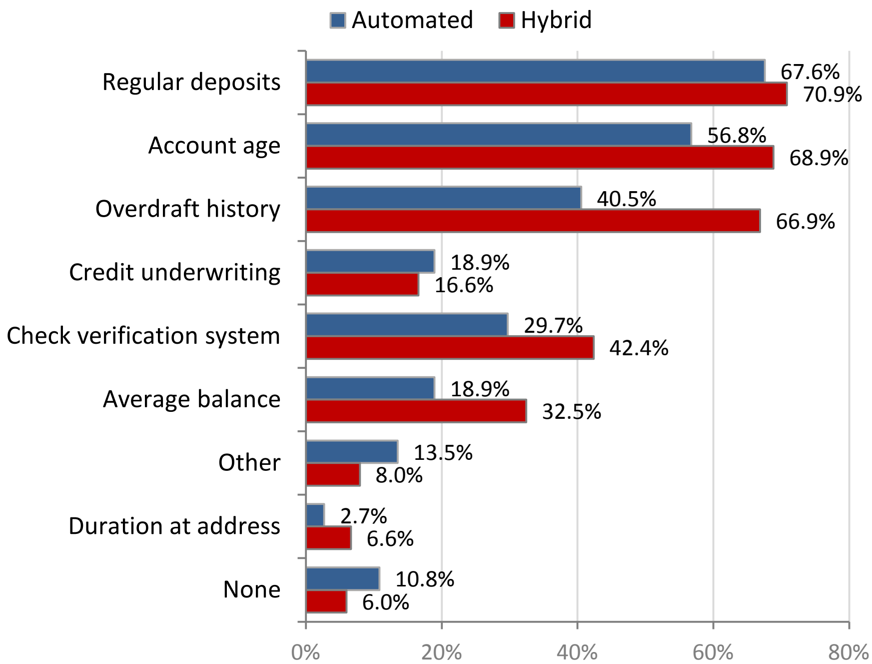


[15] The survey also found that 10 percent of banks operating hybrid programs do not set limits and rely solely on case-by-case decisions, which would indicate that they are actually making an ad hoc decision.
[16] This suggests many community banks may not consider the interest charged on a line of credit as part of the overdraft fee structure but as interest income from a credit product. Alternatively, if the account is a credit card that is attached to the deposit account, then the survey respondents would likely not consider the interest rate for the credit card as part of the overdraft fee structure.

5. Community Bank Customer Eligibility and Participation

Community banks with automated and hybrid programs have established eligibility requirements that must be met before an overdraft is paid. More than 90 percent of community banks set specific eligibility requirements for customers to qualify for overdraft payment program coverage. Eligibility is based on factors such as frequency of customer deposits, account longevity, the number of past overdrafts and general account history (Figure 42).

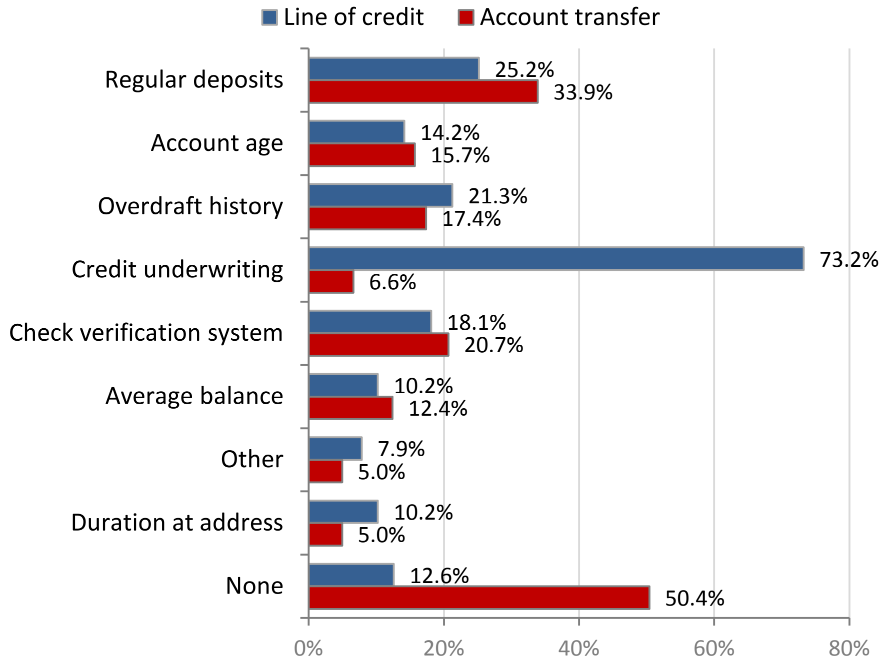
Figure 42: Community Bank Customer Eligibility Requirements for Overdraft Payment Programs



Eligibility requirements are less stringent for account transfer services since funds are transferred from another deposit account to cover an overdraft. Roughly half (50.4 percent) of the community banks that offer this service do not have eligibility requirements for account transfers to cover an overdraft. Among community banks that have eligibility requirements, most determine eligibility based on a history of regular deposits and satisfactory reporting from third-party verification systems.

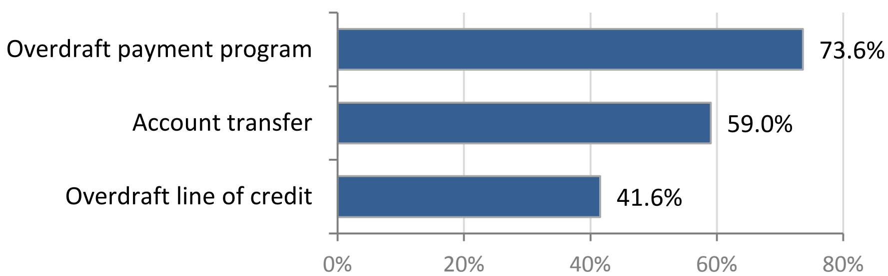
Credit check/underwriting is the top requirement to determine customer eligibility for a line of credit (73.2 percent) followed by regular deposits (25.2 percent) and overdraft history (21.3 percent, Figure 43).

Figure 43: Community Bank Alternative Services Eligibility Requirements



Nearly three-quarters of community bank customers (73.6 percent) are eligible for overdraft program coverage.[17] More than half (59 percent) of community bank customers are eligible for an account transfer service. Less than half (41.6 percent) of customers are eligible for a line of credit (Figure 44).

Figure 44: Community Bank Customer Eligibility Rates



6. Community Bank Customer Overdraft Payment Program Enrollment and Usage

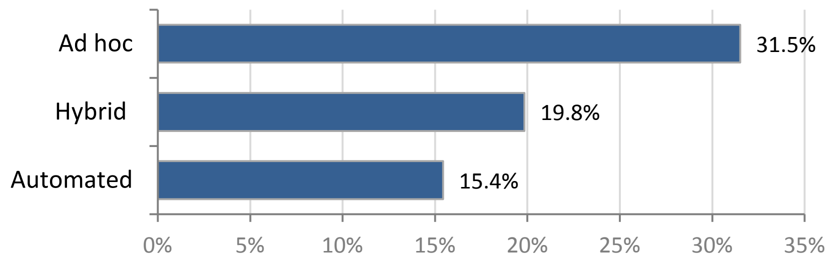
Regulatory guidance recommends that banks honor customer requests to opt out of overdraft payment for check and ACH transactions.[18] Despite having the ability to opt out of overdraft coverage, 75.8 percent of customers have retained overdraft coverage for checks and ACH debits, with community

[17] The data suggests that respondents may have provided participation rates for account transfer and line of credit instead of eligibility rates.

[18] The 2005 *FFIEC Joint Guidance on Overdraft Protection Programs* recommended that banks permit consumers to opt out of the overdraft program and provide a clear consumer disclosure of this option. This was reiterated by the FDIC's November 2010 *Overdraft Payment Supervisory Guidance.*

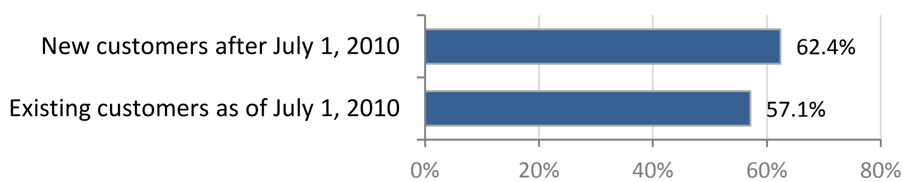
banks reporting 24.2 percent of their customers having chosen to opt out.[19] Community banks with an ad hoc program have the highest percentage of customers who opt out of coverage for checks and ACH debits, with a mean of 31.5 percent. Community banks with a hybrid program report 19.8 percent of customers opt out. Community banks with an automated program have the fewest customers opting out, at 15.4 percent (Figure 45).

Figure 45: Community Bank Check/ACH Opt-Out Rate by Overdraft Program Type



While a majority of community banks allow customers to opt in to overdraft coverage for ATM and point-of-sale debit transactions (59.3 percent), a significant number (40.7 percent) do not offer overdraft coverage for these transactions. Community banks that offer this coverage report that well over half of new and existing customers have chosen overdraft coverage for ATM and point-of-sale debits (Figure 46).[20]

Figure 46: Community Bank Overdraft Opt-In Rates for ATM and Point-of-Sale Debit Card Transactions

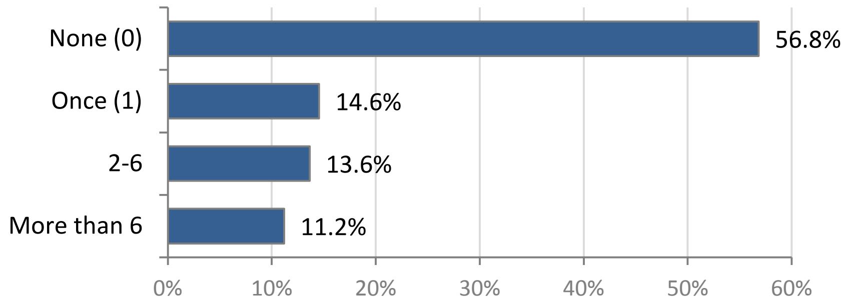


[19] The Study's survey of consumers suggests that only 13.8 percent of community bank customers have chosen to opt out of overdraft coverage for check and ACH transactions.

[20] The Study's survey of consumers suggests that only 14.7 percent of community bank customers have chosen to opt in to coverage for ATM and point-of-sale debit transactions. For community banks, the mean opt-in rates are calculated from data entered by the subgroup of banks that allow customers to opt in. The average is composed of responses from 187 banks (new customers) and 178 banks (existing customers). Among this group, 46.5 percent indicated more than 70 percent of existing customers have chosen to opt in and 52.2 percent indicated more than 70 percent of new customers have chosen to opt in. Given the large percentage of community banks that do not offer overdraft coverage for ATM and point-of-sale debit card transactions, the percentage of all community bank customers that opt in to this coverage would be significantly lower with around 20 percent of new customers and 17.6 percent of existing customers based on the average among all 575 banks that responded to the survey.

Even though most customers are covered by overdraft payment programs, many do not use them. Nearly 57 percent of customers did not have a non-sufficient fund (NSF) item paid in the past 12 months (Figure 47).[21]

Figure 47: Community Bank Data on Frequency of Customer Overdrafts in Previous 12 Months



The Study found that community banks pay an average of 70.8 percent of overdraft, eliminating returned item fees from banks, returned check fees from merchants, collection hassles and possible service interruptions.

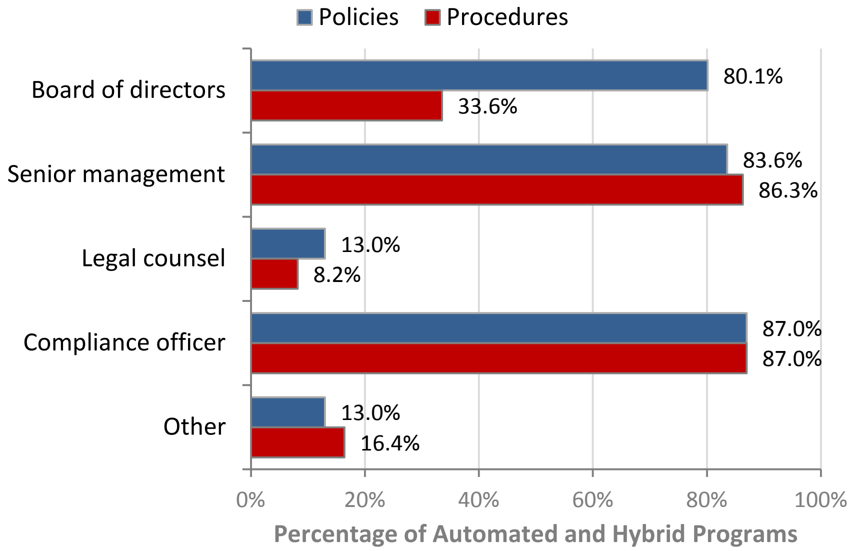
7. Community Bank Risk Management

A concern to all banks, regardless of asset size, is the exposure of charge-offs due to the payment of items that result in overdrafts. This can open the bank to more losses than what is anticipated over the normal course of business. Community banks establish overdraft coverage policies and procedures to effectively minimize the risk of losses incurred by allowing customers to overdraft.

Community banks' board of directors, senior management and compliance officers are vigilant in reviewing overdraft payment programs policies and procedures. Generally, overdraft policies are reviewed by community banks' board of directors and procedures are reviewed by senior management (Figure 48).

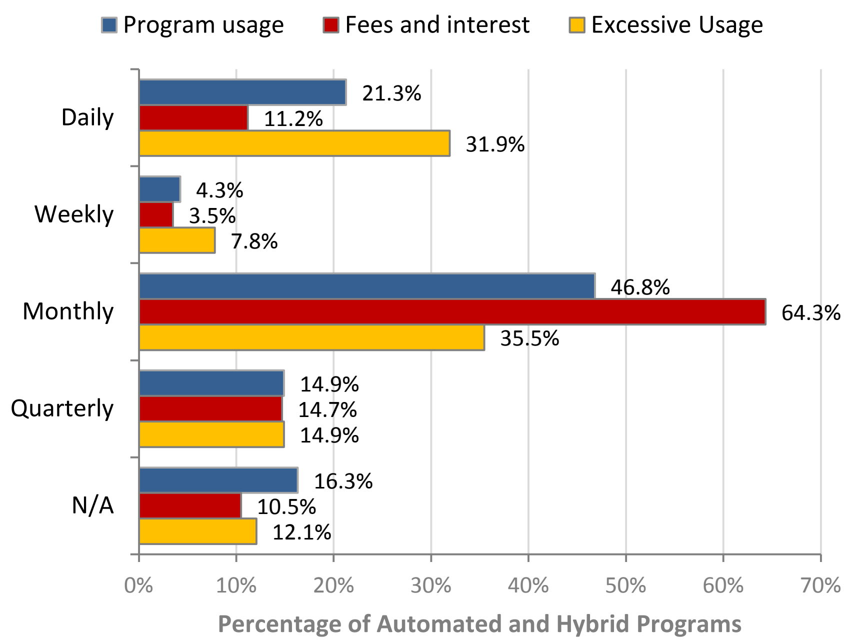
[21] This represents a significant deviation from the frequency of overdraft data collected in the Study's survey of consumers, which suggests that 24.3 percent of consumers incurred an overdraft in the past 12 months. There are a number of possible explanations, all of which are likely to have made some contribution to this divergence. Social desirability bias may be present, with consumers reporting a lower number of overdrafts than they have actually incurred. In addition, the majority of community banks reported "don't know" in response to this question (52.4 percent).

Figure 48: Community Bank Management Review of Overdraft Policies and Procedures



Community banks regularly review overdraft payment program reporting on usage, fees and interest earned. Three-fourths of community banks review program usage (72.1 percent), fees and interest (79 percent) and excessive usage (75.2 percent) on at least a monthly basis. Excessive use of overdraft payment programs is reviewed daily by 31.9 percent of community banks (Figure 49). Small community banks (less than $100 million in assets) are more likely to conduct a daily review while large community banks (over $501 million in assets) are more likely to review on a monthly basis.

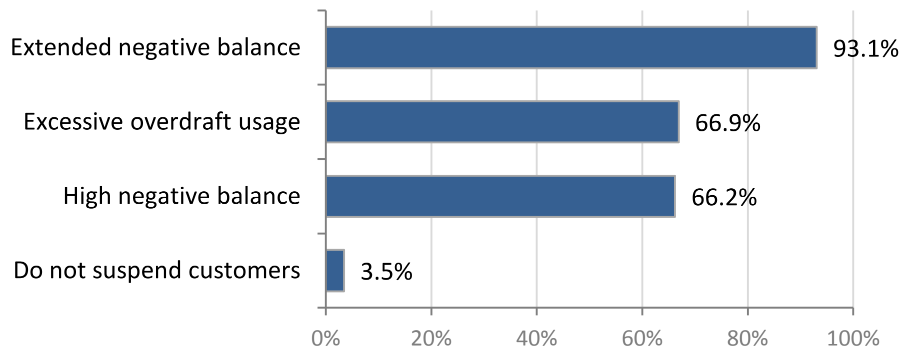
Figure 49: Community Bank Management Review of Program Metrics



Nearly all community banks (96.5 percent) will suspend a customer's overdraft program privileges when established parameters, such as high or extended negative balances or program usage thresholds, are exceeded.

Two-thirds of community banks suspend customers from overdraft coverage for excessive usage (66.9 percent) or having a high negative balance (66.2 percent). Almost all community banks will also suspend a customer for maintaining a negative balance for an extended time period (93.1 percent, Figure 50). Three-quarters of small community banks (less than $100 million in assets) will suspend a customer for having a high negative balance.

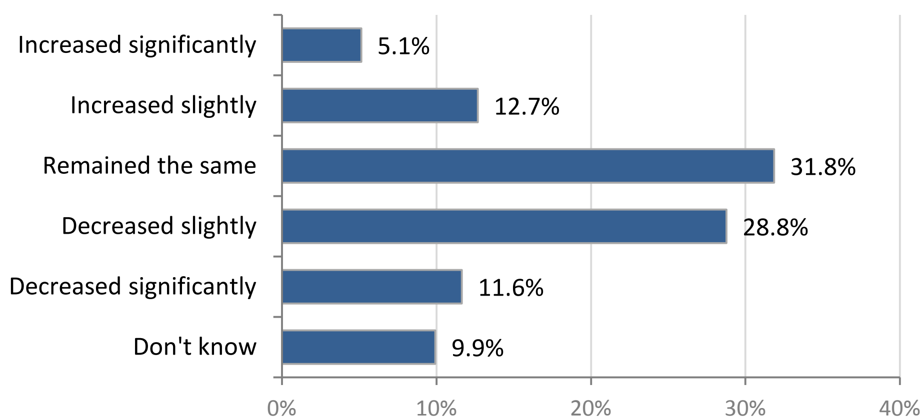
Figure 50: Community Bank Reasons for Customer Suspensions from Overdraft Payment Program



8. Community Bank Impact of New Overdraft Regulation and Supervisory Guidance

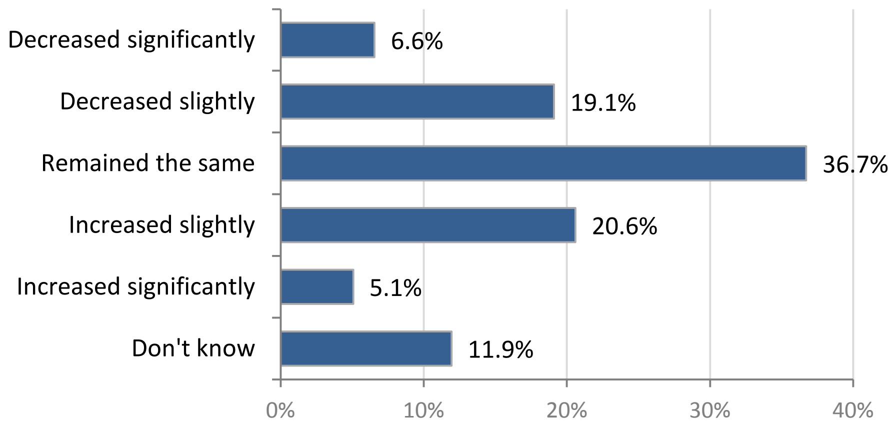
New regulation and supervisory guidance issued during the past two years have limited overdraft income, but have not significantly reduced overdraft activity. The majority of community banks (60.6 percent) reported that overdraft items paid remained the same or decreased slightly after the effective date of Regulation E opt-in requirements for ATM and point-of-sale debit card transactions (Figure 51).

Figure 51: Change in Number of Paid Overdraft Items Due to Regulation E



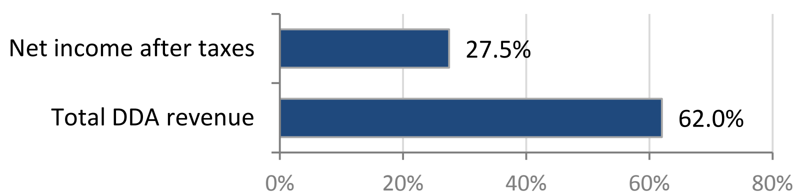
One-quarter of community banks (25.7 percent) reported increases in returned items (Figure 52). The change in overdraft activity did not vary between automated and hybrid programs, and ad hoc programs.

Figure 52: Change in Number of Returned Items Due to Regulation E



Income from community banks' overdraft payment services is used to mitigate the potential losses associated with overdraft payment programs and remains a significant percentage of fee income from demand deposit accounts (Figure 53).

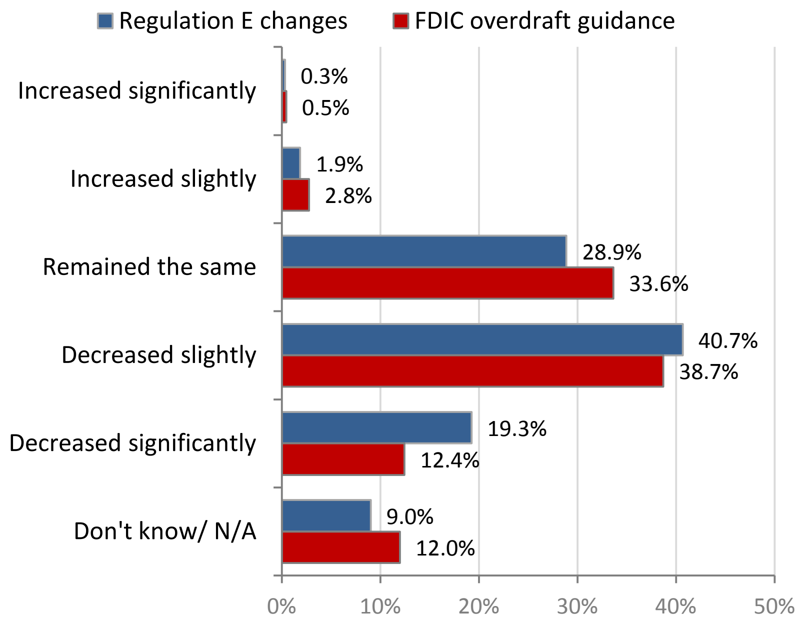
Figure 53: Percentage of Community Bank Income from Overdraft Payment Services



The percentage of net income is larger for small community banks (less than $100 million in assets), averaging 30.1 percent.

Further reductions in community banks' non-interest income represent a greater threat to safety and soundness than charged-off overdraft balances. Income has decreased at the majority of community banks (60 percent) after the Regulation E change on July 1, 2010 (Figure 54) with some of those banks (19.3 percent) reporting significant decreases. Rural community banks were more likely to experience significant decreases.

Figure 54: Changes in Community Bank Overdraft Revenue Due to Regulation and Guidance



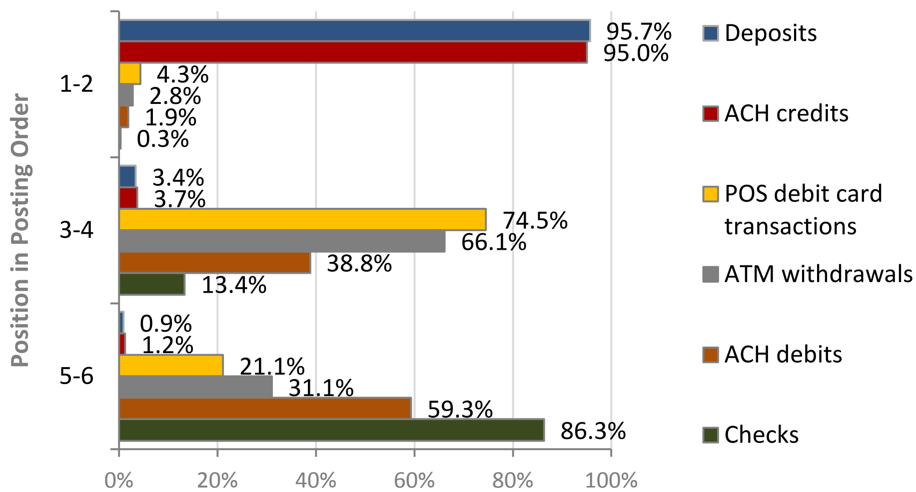
The survey found that for more than half of FDIC-supervised community banks (51.1 percent), income decreased after FDIC-issued guidance on overdraft programs went into effect on July 1, 2011.

9. Community Bank Transaction Posting Order

Community banks post transactions to consumer accounts in an order to reduce the likelihood of overdrafts and overdraft fees. Community banks post credits before debits to ensure that the customer has the maximum funds available to cover the debits that are posted that day. When posting checks, most community banks post in either low-to-high transaction amount or in check number order, as encouraged by regulators and consumer groups.

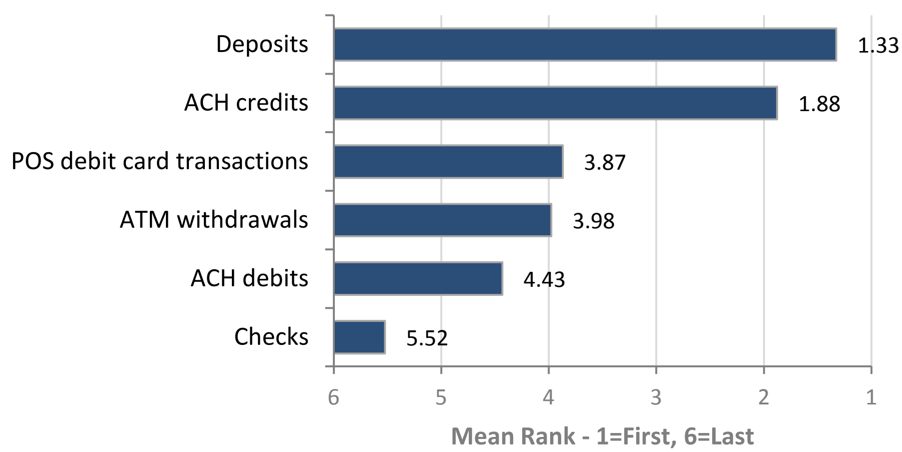
When considered in groups of two, the vast majority of community banks post credits first, electronic debits next and checks last (Figure 55). Substantially all community banks post deposits and ACH credits before checks (98.4 percent), ACH debits (96.9 percent) or both (96.3 percent). After posting credits, most community banks then post some combination of point-of-sale debit card transactions, ATM withdrawals and ACH debits, most frequently in that order. Checks are posted last by more than 75 percent of respondents.

Figure 55: Community Bank Transaction Type Posting Order



In average terms, community banks post credits first, followed by ATM and point-of-sale debit card transactions, then ACH debits and checks (Figure 56).

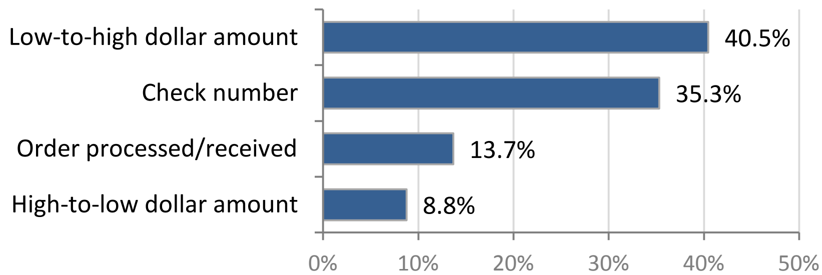
Figure 56: Mean Community Bank Transaction Type Posting Order



Three-fourths of community banks (75.8 percent) post checks in either low-to-high transaction amount or in check number order (Figure 57). Small community banks (less than $100 million in assets) are more likely to process checks using a low-to-high dollar amount, and large community banks (over $501 million in assets) are more likely to process checks in check number order.

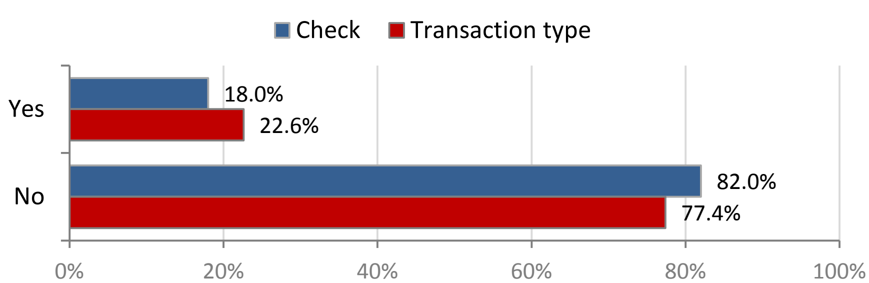
Only 8.8 percent of the surveyed community banks post check items in the order of high-to-low dollar amounts.

Figure 57: Community Bank Check Posting Order



Most community banks have not changed the order in which they post transactions (82 percent) or the order in which they post checks (77.4 percent) within the past two years (Figure 58). Community banks serving urban areas are more likely to have changed their check posting order in the past two years.

Figure 58: Community Bank Changes to Posting Order in Past Two Years



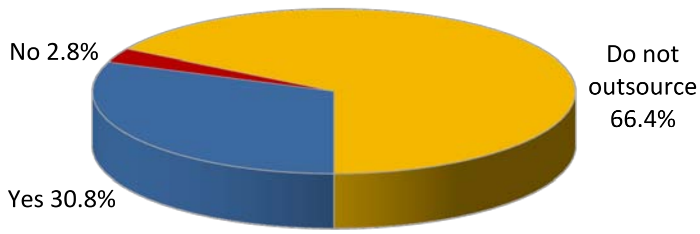
Among community banks that have changed the order of posting checks within the past two years, 70.7 percent have changed from high-to-low dollar amount. Among all community banks that changed check posting order, 58.8 percent switched to check number, 25.9 percent to low-high and 12.9 percent to order of receipt/processing.

Changes to transaction type posting order mostly affected the posting of electronic debits, with point-of-sale debit card transactions now posted ahead of ACH debits.

10. Community Banks Outsourcing Overdraft Payment Programs

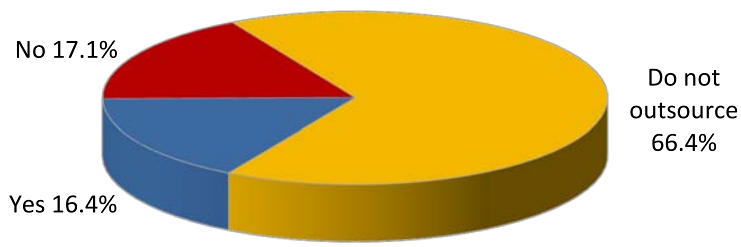
Two-thirds of community banks with an automated or hybrid program (66.4 percent) do not outsource their overdraft payment programs. Small community banks (less than $100 million in assets) are more likely to outsource their program, with 56 percent utilizing a vendor or other third party to manage their automated or hybrid program. Many community banks (30.8 percent) outsource to establish an automated or hybrid program (Figure 59).

Figure 59: Community Banks Using Vendor/Third Party to Establish or Expand Automated/Hybrid Program



Among community banks with automated and hybrid programs, only 16.4 report that overdraft revenue is shared with a vendor or third party (Figure 60).

Figure 60: Community Banks Sharing Overdraft Revenue with a Vendor/Third Party

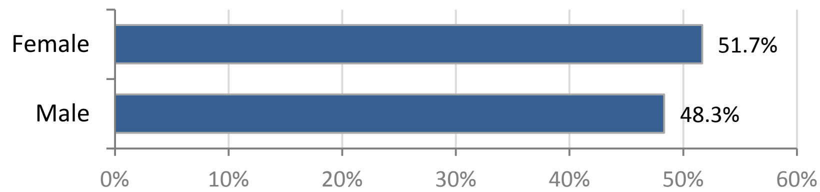


Appendices

Appendix A: Consumer Survey Methodology and Demographics

Between Sept. 8 and Sept. 23, 2011, 3,000 consumers were surveyed via the Internet using an online questionnaire. Respondents were randomly selected from a panel of consumers with bank accounts and represent a cross section of the U.S. population by gender, age and state of residence. The survey margin of error is +/- 1.79 percent at the 95 percent confidence level.[1]

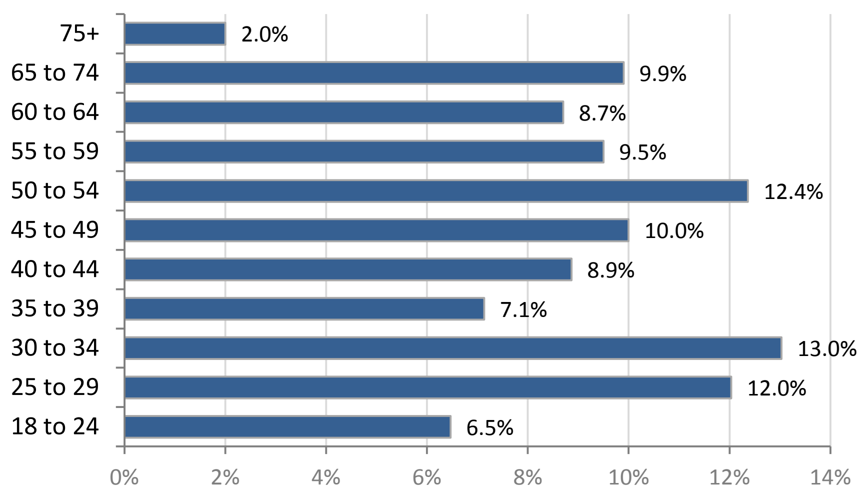
Figure 61: Gender of Surveyed Consumers



The age breakdown of respondents is as follows:

- Generation Y (born between 1982 and 1993): 18.6 percent
- Generation X (born between 1967 and 1981): 28.9 percent
- Baby boomers (born between 1947 and 1966): 32 percent
- Silent generation (born in 1946 and earlier): 20.6 percent

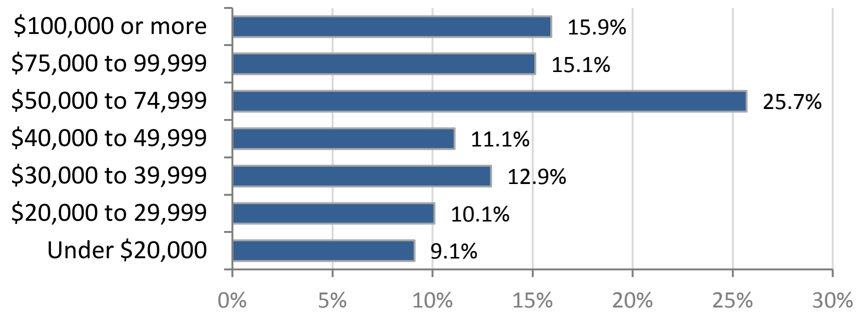
Figure 62: Age Breakdown of Surveyed Consumers



Respondents' income ranged from under $20,000 to over $100,000, with most of the respondents (25.7 percent) having incomes from $50,000 to $74,999.

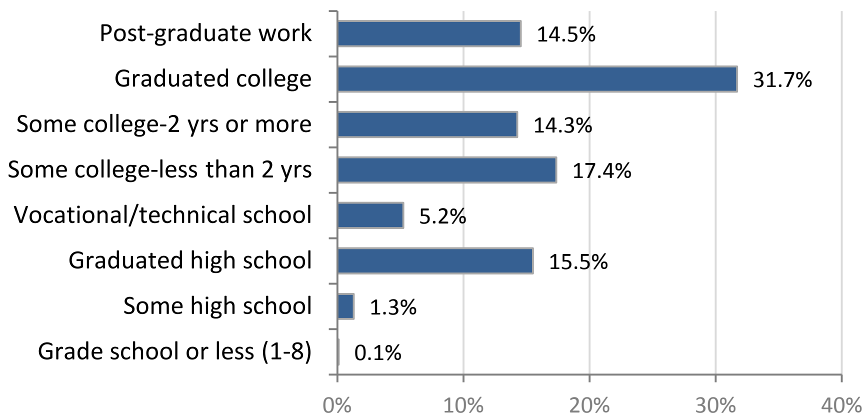
[1] Results reported for survey subgroups have higher margins of error. Megabank customers: +/-2.53 percent, regional bank customers: +/-3.97 percent, community bank customers: +/-5.31 percent, credit union customers: +/-4.36 percent.

Figure 63: Income Breakdown of Surveyed Consumers



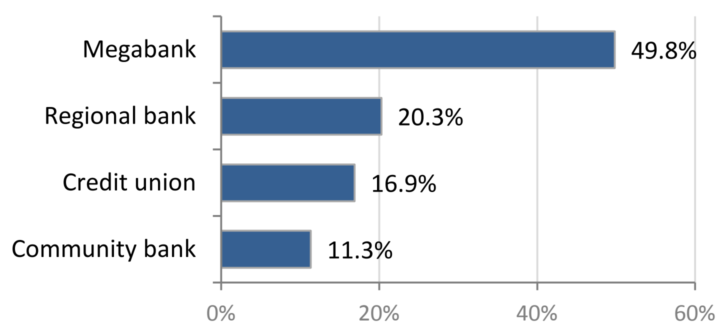
Surveyed consumers reported various levels of completed education. The largest group represented college graduates. Individuals with an eighth grade education or less represented just 0.1 percent of respondents.

Figure 64: Education Level of Surveyed Consumers



All size institutions were represented by survey participants. Participants banked with the following types of financial institutions:

Figure 65: Financial Institution Breakdown among Surveyed Consumers



Appendix B: Overdraft User Peer Group Analysis

The Study found that the majority of consumers (76.9 percent) report no overdraft of their account in the past 12 months for transaction that were either paid or returned. Compared to the average consumer, those who report no overdrafts were:

- Slightly older than the survey population, average age 47 years (+1.5 years).
- Within the population norm in terms of education and income level.
- More likely to use a community bank (+1.0), less likely to use a megabank (-2.1).
- Less likely to review their bank balance. They are also less likely to review outstanding transactions (-2.1) and review less frequently when they do.
- Less likely to have opted out of check/ACH coverage (-3.8).
- Less likely to have opted in to ATM/point-of-sale debit coverage (-6.8).

Profile One: Accidental Overdraft Users

Accidental overdraft users are consumers who have had a single overdraft transaction paid (6.8 percent of consumers) or a returned transaction (2.2 percent of consumers) in the past 12 months. This group includes 8.9 percent of consumers. Compared to the average consumer, the members of this group:

- Skew younger, with an average over 41.2 years.
- More likely to be female (+4.9).
- More likely to have two or more years of college.
- More likely to have incomes in the $30,000-$40,000 or $50,000-$75,000 range.
- More likely to bank with a megabank (+7.9), less likely to bank with a community bank (-4.9).
- More likely to review their account balance two to three times a week or more (+16.4).
- More likely to track outstanding transactions (+7.5) and to do so at least two to three times a week (+14.8).
- More likely to opt out of coverage for check and ACH transactions (+5.3).
- More likely to opt in to coverage for ATM and point-of-sale debit transactions (+10.6).
- Less likely to have a fee waived or reduced (-1.1).
- More likely to use account transfer (+7.9) and/or a line of credit (+5.1).
- More likely to have taken a small-dollar loan from their financial institution (+5.1) or 401(k)/retirement plan (+5.2).
- More likely to acknowledge bank (+4.1) and merchant service provider fees (+1.7).
- More likely to want important transactions paid (+2.9 to +6.1).
- Rank concerns about bank fees (-0.05) and merchant refusal to accept checks (-0.05) higher; rank concerns about reputation lower (+0.12).
- Rank preference for overdraft fourth, above credit card cash advance among options for emergency funds. Mean rank of preference for bank overdraft coverage (-0.25) and payday loan

(-0.28) higher than average. Rank of borrowing from friends/family (+.15), small-dollar loans (+0.08), credit card cash advances (+0.17) and lines of credit (+0.25) lower than average.

Profile Two: Occasional Overdraft Users

Occasional overdraft users are those consumers who report two to three overdraft transactions paid on their account over the past 12 months (7.7 percent of consumers) or consumers who have had both paid and returned overdraft transactions in the past 12 months (2.3 percent of consumers). Collectively, this group includes 9.9 percent of consumers. Compared to the average consumer:

- Average age is 39.5.
- More likely to be female (+4.7).
- More likely to report income in $20,000-$50,000 range.
- More likely to have less than two years of college.
- More likely to bank with a megabank (+8.6), and less likely to bank with a regional bank (-3.5) or credit union (-2.5).
- More likely to review their account balance daily (+19.8).
- More likely to track outstanding transactions (+6.8), and more likely to do so daily (+19.1).
- More likely to opt out of coverage for check and ACH transactions (+15.8).
- Much more likely to opt in to coverage for ATM and point-of-sale debit transactions (+26.2).
- More likely to have fee waived or reduced (+3.1).
- More likely to use account transfer (+16.1) and/or line of credit (+15.9).
- More likely to have taken a small-dollar loan from their financial institution (+13.1,) payday lender (+15.3), car title lender (+6.4) or 401(k)/retirement plan (+10.4).
- More likely to acknowledge bank fees (+2.6) and deny merchant service provider fees (+4.2).
- Near population mean for payment preference on most transaction types, except child-care payment (+9.4).
- Rank concerns about merchant fees (-0.10) and refusal to accept checks (-0.11) higher and concerns about reputation lower (+0.21).
- Mean rank of preference for overdraft fourth, higher than credit card cash advance. Mean rank of preference for overdraft coverage (-0.24) and payday loans (-0.28) higher than average. Rank small-dollar loans (+0.29), credit card cash advance (+0.22), line of credit (+0.22) and borrow from friends/family (+0.18) lower than average.

Profile Three: Frequent Overdraft Users

Frequent overdraft users consist of consumers who report four or more overdrafts in the past 12 months. This group represents 3.4 percent of consumers. When compared to the average consumer, the characteristics of this group differ as follows:

- Average age 42.1.
- More likely to be male (+3.7).
- More likely to bank with a regional bank (+3.2), less likely to bank with a community bank (-3.5).

- More likely to review their account balance daily (+17.8) or two to three times per week (+3.5).
- More likely to track outstanding transactions (+6.0), most likely to do so at least two to three times a week (+19.5).
- Much more likely to opt out of coverage for check and ACH transactions (+19.5).
- Much more likely to opt in to coverage for ATM and point-of-sale debit transactions (+44.4).
- Less likely to have had a fee waived or reduced (-6.3).
- More likely to be aware of account transfer (+2.6), more likely to use a line of credit (+11.2).
- More likely to have taken a small-dollar loan from their financial institution (+14.7), payday lender (+28.1), car title lender (+13.6) or 401(k)/retirement plan (+19.4).
- More likely to acknowledge merchant service provider fees (+5.1).
- More likely to want all types of important transactions paid (+3.6 to +15.8).
- Less concerned about bank fees (+0.04) and reputation (+0.03), more concerned about merchant fees (-0.03) and refusal to accept checks (-0.05).
- Mean rank of overdraft as first among seven options. Mean rank of preference for bank overdraft coverage (-0.68) and payday loans (-0.46) higher than average. Rank of credit card cash advance (+0.62), line of credit (+0.32) borrow from friends/family (+0.26), and small-dollar loan (+0.19) lower than average.
- Less likely to have attended college. More likely to have attended vocational/technical school.
- More like to have income in the $20,000-$29,000 or $40,000-$75,000 range.

This group contains three distinct subgroups worthy of separate analysis.

Subgroup A: Frequent Overdrafters with No Returned Transactions

This group consists of consumers who do not report returned transactions in addition to their four or more paid overdrafts. This group represents 1.3 percent of consumers. When compared to the average consumer, the characteristics of this group differ as follows:

- Average age 45.8
- Much more likely to be male (+7.0).
- More likely to bank with a credit union (+4.2) or regional bank (+3.4).
- More likely to review their account balance less frequently (two to three times per week: +20.8, daily: -2.3).
- More likely to monitor outstanding transactions less frequently, such as two to three times per week (+11.6) or two to three times per month (+3.9).
- Moderately more likely to opt out of coverage for check and ACH transactions (+9.5).
- Much more likely to opt in to coverage for ATM and point-of-sale debit transactions (+41.5).
- Less likely to have fees waived or reduced (-25.4).
- More likely to use account transfer (+7.7) and/or a line of credit (+13.0). More likely to not be aware of a line of credit (+3.7) if they do not use it.
- More likely to have taken a small-dollar loan from a payday lender (+13.9).
- More likely to deny that banks may assess fees for returned transactions (+8.4).

- More likely to want important transactions paid (+10.0 to +19.8, excluding tuition payment).
- More concerned about merchant fees (-0.16) and reputation (-0.08), and less concerned about bank fees (+0.10) and refusal to accept checks (+0.14).
- Mean rank overdraft as third among seven options, rank line of credit first and borrow from friends/family second. Mean rank of preference for bank overdraft coverage (-0.72), payday loan (-0.16) and line of credit (-0.03) higher than average. Rank of borrow from friends/family (+0.13), small-dollar loan (+0.16) and credit card cash advance (+0.24) lower than average.
- More likely to attend vocational/technical school, less likely to graduate college.
- Income more likely to fall in $50,000-$75,000 range.

Subgroup B: Frequent Overdrafters with Returned Transactions

This group consists of consumers who report a returned transaction in addition to four or more paid overdrafts in the past 12 months. This group represents 2.1 percent of consumers. When compared to the average consumer, the characteristics of this group differ as follows:

- Average age 39.9.
- More likely to bank with a megabank (+3.3) or regional bank (+3.2).
- More likely to review their account balance daily (+29.7).
- More likely to track outstanding transactions (+9.1), and more likely to do so daily (+23.8).
- Much more likely to opt out of coverage for check and ACH transactions (+25.4).
- Much more likely to opt in to coverage for ATM and point-of-sale debit transactions (+46.1).
- More likely to have fees waived or reduced (+5.1).
- More likely to be aware of account transfer (+8.9) and line of credit options (+10.0), less likely to use account transfer (-4.8) and more likely to use a line of credit (+10.1).
- More likely to have taken a small-dollar loan from their financial institution (+22.6), payday lender (+36.6), car title lender (+21.0) or 401(k)/retirement plan (+30.0).
- More likely to acknowledge bank fees (+8.0) and merchant service provider fees (+8.2).
- More likely to want important transactions paid (+9.6 to +14.6, excluding credit card payment).
- More concerned about refusal to accept checks (-0.16), less concerned about merchant fees (+0.05) and reputation (+0.10).
- Mean rank of preference for overdraft as first among seven options. Mean rank of preference for bank overdraft coverage (-0.65), payday loan (-0.63) and car title loans (-0.64) higher than average. Rank of small-dollar loan (+0.20), borrow from friends/family (+0.35), line of credit (+0.52) and credit card cash advance (+0.85) lower than average.
- Less likely to have attended college. More likely to have attended vocational school.
- More likely to have income in the $40,000-$75,000 range.

Subgroup C: Frequent Overdrafters with Six or More Overdrafts

This group consists of consumers who report six or more overdrafts in the past 12 months. This group consists of 1.6 percent of consumers. When compared to the average consumer, the characteristics of this group differ as follows:

- Average age 44.
- Much more likely to be male (+4.9).
- More likely to bank with a credit union (+6.5) or regional bank (+3.1).
- More likely to review their account balance daily (+22.0).
- More likely to monitor outstanding transactions daily (+23.8).
- Moderately more likely to opt out of coverage for check and ACH transactions (+13.0).
- Much more likely to opt in to coverage for ATM and point-of-sale debit transactions (+49.6).
- Less likely to have fees waived or reduced (-3.2).
- More likely to be aware of account transfer (+5.8), but less likely to use it (-4.0). More likely to use a line of credit (+10.1).
- More likely to have taken a small-dollar loan from their financial institution (+5.9), payday lender (+33.3), car title lender (+15.1) or 401(k)/retirement plan (+29.3).
- More likely to acknowledge merchant/service provider fees (+10.8).
- More likely to want important transactions paid (+12.0 to +22.3, excluding credit card payment, +0.7).
- More concerned about refusal to accept checks (-0.14) and reputation (-0.11), and less concerned about merchant fees (+0.08) and bank fees (+0.16).
- Mean rank of preference for bank overdraft as first of seven options. Mean rank of preference for bank overdraft coverage (-0.89) and payday loan (-0.45) ranked higher than average. Rank of small-dollar loan (+0.03), borrow from friends/family" (+0.18), credit card cash advance (+0.79) and line of credit lower than average (+0.47).
- More likely to have an income below $30,000 or between $40,000-$50,000.
- Less likely to have graduated college (-12.6).

Appendix C: Overdraft Characteristics of Demographic Subgroups

The following figures show the prevalence of overdraft and returned item fees paid by consumers, the percentage of consumers that opt out of overdraft coverage for check and ACH debit transactions and opt in to overdraft coverage for ATM and point-of-sale debit transactions by demographic subgroups.

Figure 66: Consumers Reporting Overdraft Fees by Income

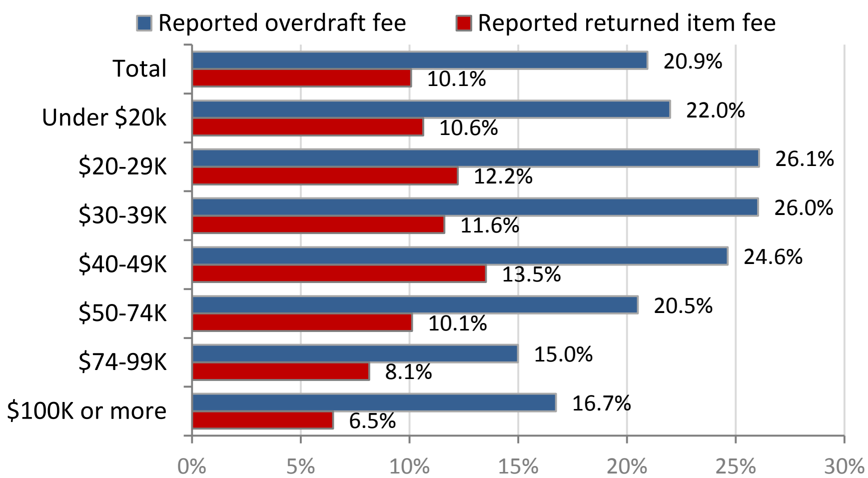


Figure 67: Consumers Reporting Overdraft Fees by Age

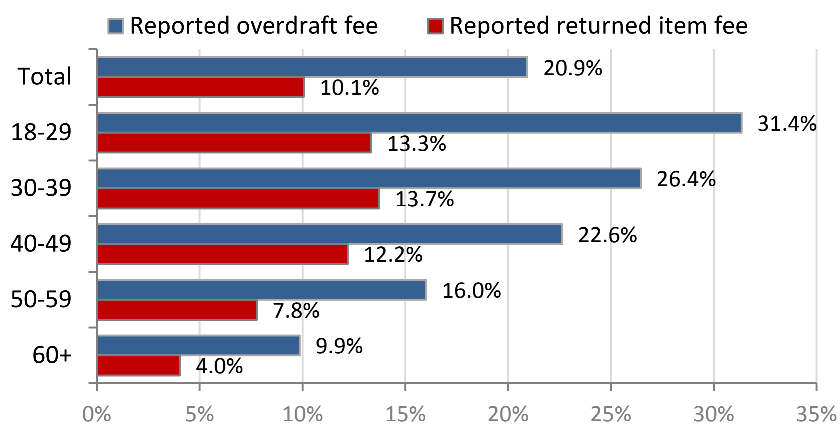


Figure 68: Consumers Reporting Overdraft Fees by Education

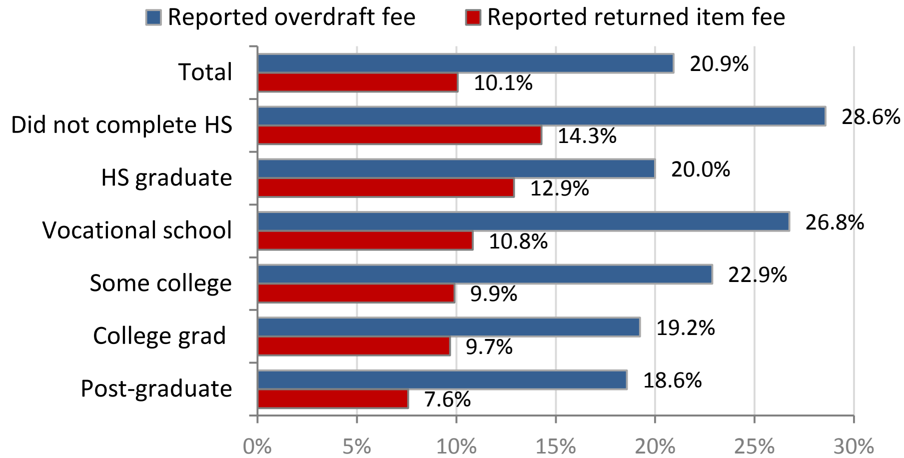


Figure 69: Consumers Reporting Overdraft Fees by Gender

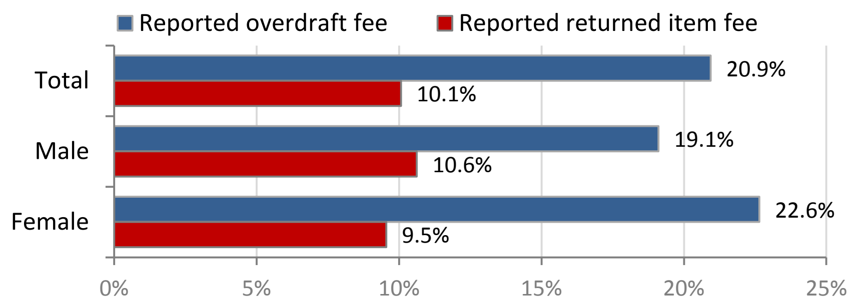


Figure 70: Consumer Overdraft Coverage Status by Income

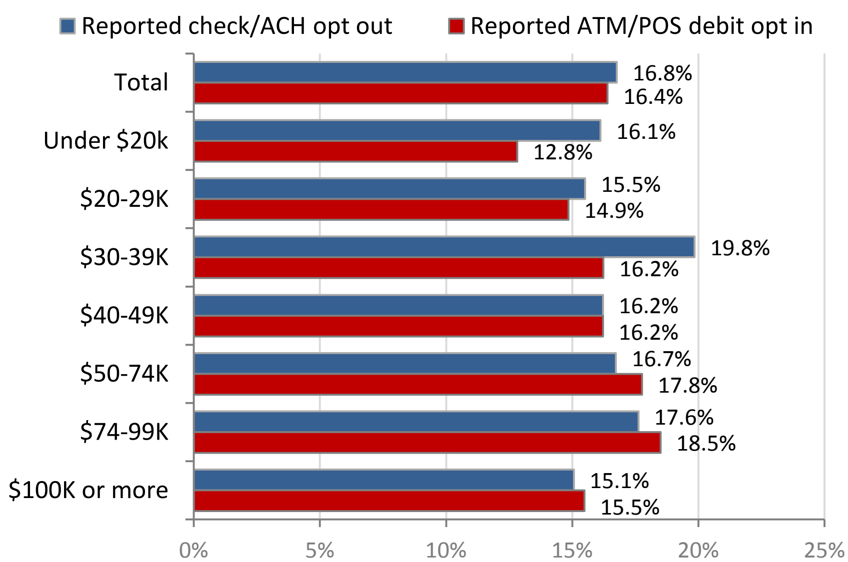


Figure 71: Consumer Overdraft Coverage Status by Age

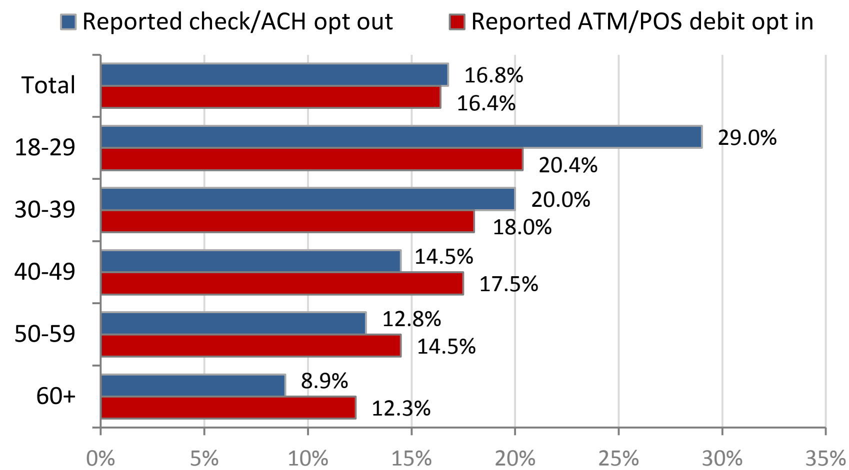


Figure 72: Consumer Overdraft Coverage Status by Education

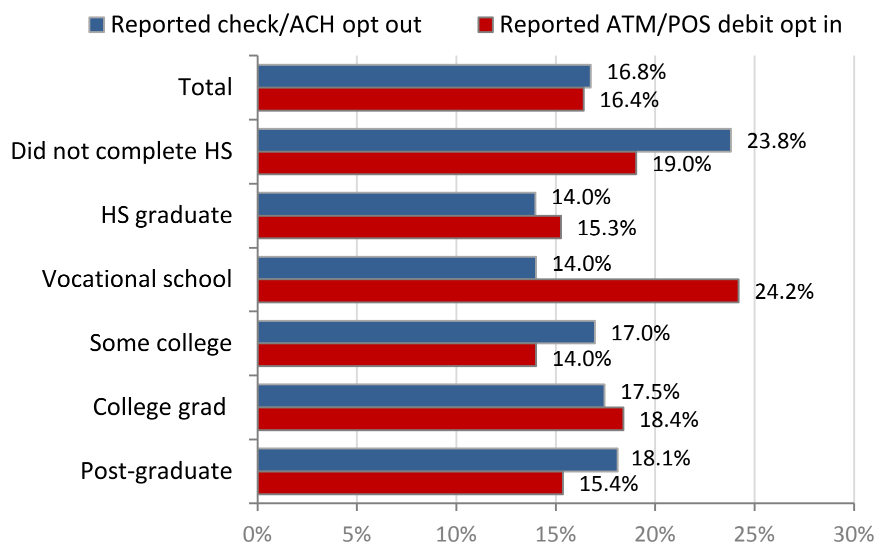
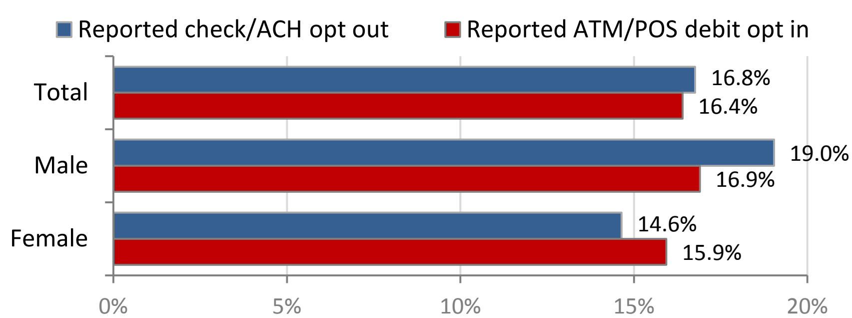


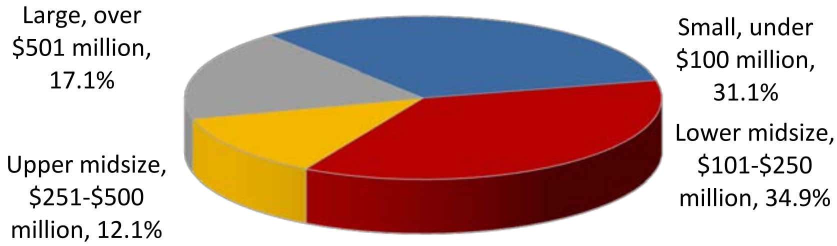
Figure 73: Consumer Overdraft Coverage Status by Gender



Appendix D: Community Bank Survey Methodology and Attributes

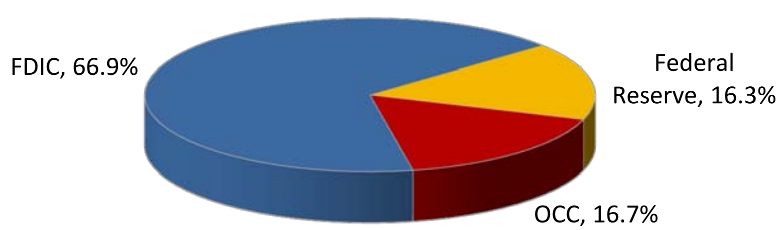
ICBA distributed the survey by email to 7,000 community banks and received responses from 575 (8.2 percent response rate) between Nov. 14 and Dec. 9, 2011.[1] Survey respondents ranged from under $50 million in assets to over $3 billion. The community banks were grouped into the following asset categories (Figure 74) to track trends.

Figure 74: Community Bank Respondents by Asset Size



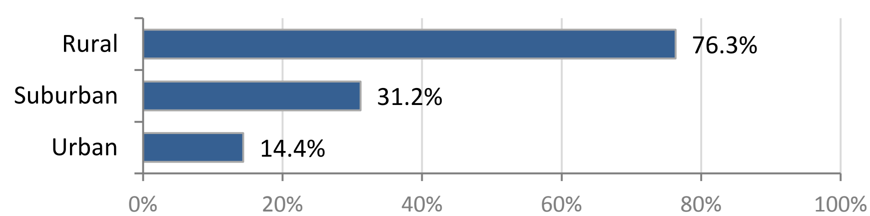
The FDIC is the primary regulator for the majority of the respondent community banks (66.9 percent). Figure 75 shows the distribution of the primary federal regulator.

Figure 75: Community Bank Respondents by Primary Federal Regulator



Community banks serve different types of geographic areas. Figure 76 shows the geographical areas served by respondent banks.

Figure 76: Community Bank Respondents by Geographic Area Served[2]



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[1] In a random selection of responses, the survey's margin of error would be +/- 3.9 percent. Banks were not selected by random but rather by voluntary response so the data is subject to additional biases.
[2] Percentage exceeds 100 because some of the banks serve more than one geographic area.

Appendix E: Consumer Survey Instrument

1) **Which of the following groups includes your age?**
   - 18 to 24
   - 25 to 29
   - 30 to 34
   - 35 to 39
   - 40 to 44
   - 45 to 49
   - 50 to 54
   - 55 to 59
   - 60 to 64
   - 65 to 74
   - 75+

2) **In which state do you live?**

3) **What is your gender?**

4) **Do you personally have a checking account, either in your own name or jointly with someone else, at a commercial bank, credit union, savings institution or other financial institution?** [1]

5) **Which of the following best describes the financial institution where you maintain your primary checking account?**
   - Large bank with nationwide branches
   - Regional bank with branches throughout my region
   - Community bank with branches in my local area
   - Credit union
   - Brokerage
   - Other
   - I don't have a checking account

6) **How frequently do you check the balance of your primary checking account?**
   - Multiple times per day
   - Daily
   - 2- 3 times a week
   - Once a week
   - 2- 3 times a month
   - Once a month
   - Less frequently than once a month
   - Never

7) **In addition to checking the balance of your primary checking account, do you track outstanding transactions (checks, automatic debits/withdrawals, debit card and ATM transactions and deposits) that have yet to be reflected in your account balance?** [1]

[1] Answer choices "yes" or "no"

8) **How frequently do you track outstanding transactions that have yet to be reflected in your account balance?**

- Multiple times per day
- Daily
- 2- 3 times a week
- Once a week
- 2- 3 times a month
- Once a month
- Less than once a month
- Never

9) **For your primary checking account, have you asked your financial institution not to pay any check or automatic debit/withdrawal that would result in an overdraft on your account? [1]**

10) **For your primary checking account, have you asked your financial institution to pay ATM and debit card transactions even if it would result in an overdraft on your account? [1]**

11) **In the past twelve months, has your financial institution assessed a fee when they paid a transaction that resulted in an overdraft on your primary checking account? [1]**

12) **To the best of your knowledge, how many times have you been assessed an overdraft fee over the last 12 months?**

- Once
- 2-3 times
- 4-5 times
- 6-10 times
- More than 10 times
- Not Sure

13) **Has your financial institution ever waived or reduced an overdraft fee as a courtesy? [1]**

14) **In the past twelve months, has your financial institution assessed a fee when they returned a transaction unpaid for non-sufficient funds on your primary checking account? [1]**

15) **For your primary checking account, are you aware of or do you use the following services to avoid an overdraft of your account?[2]**

- Account Transfer from savings or other account
- Line of credit tied to your checking account

16) **Have you ever taken out a short-term, small dollar loan from the following: [1]**

- Financial institution
- Payday lender
- 401k/retirement plan
- Other

17) **Rate the truthfulness of the following questions: [3]**

- "Financial institutions may charge me a fee for a check or automatic debit/withdrawal that overdraws my account, regardless of whether they pay the transaction or return it unpaid."
- "Merchants and service providers may charge me additional fees for a check or automatic debit/withdrawal my financial institution returns unpaid for non-sufficient funds." [2]

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[1] Answer choices "yes" or "no"
[2] Answer choices "Not Aware", "Aware But Don't Use" or "Use"
[3] Answer choices "True" or "False"

18) Provided a fee of the same amount were charged in either case, would you prefer your financial institution to pay or return the following types of transactions if they resulted in an overdraft on your account? [4]

- Mortgage/rent payment
- Car payment
- Credit card payment
- Utility payment
- Child care payment
- Tuition payment

19) Please rank the possible consequences on a scale of 1 to 4, with one being of "greatest concern" and 4 being of "least concern" in order of their negative impact on you.

- Fee charged by financial institution
- Fee charged by merchant/service provider
- Tarnished reputation with merchant/service provider
- Merchant/service provider refusal to accept checks

20) Please rank your preference of the following options if you needed funds for a short period of time on a scale of 1 to 7 with 1 being "most preferable" to 7 being "least preferable"

- Borrow from friends/family
- Bank overdraft coverage
- Credit card cash advance
- Short-term, small dollar loan from bank
- Payday loan
- Car title loan
- Bank line of credit

21) Which of the following groups includes your estimated total family income for 2010?

- Under $20,000 ($19,999 and lower)
- $20,000 to $29,999
- $30,000 to $39,999
- $40,000 to $49,999
- $50,000 to $74,999
- $75,000 to $99,999
- $100,000 or more

22) What is the highest level of education you have completed?

- Grade School or Less (1-8)
- Some High School
- Graduated High School
- Vocational/Technical School
- Some College-less than 2 years
- Some College-2 years or more
- Graduated College
- Post Graduate Work

[4] Answer choices "Pay transaction" "Return transaction unpaid" or "NA"

Appendix F: Community Bank Survey Instrument

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1) **What is the asset size of your community bank?**
   a) Under $50 million
   b) $51 - $100 million
   c) $101 - $250 million
   d) $251 - $500 million
   e) $501 million - $1 billion
   f) $1.1 billion - $3 billion
   g) Over $3 billion

2) **Which agency is your community bank's primary federal regulator?**

3) **Which of the following BEST describes the geographic areas served by your bank? (Check all that apply.)**
   a) Urban
   b) Suburban
   c) Rural

4) **What type of consumer overdraft payment program and alternative services does your bank offer?**
   a) Overdraft payment program type: (Please select one answer)
      i. Automated service to analyze and approve overdrafts for payment
      ii. Hybrid combining automated payment and bank employee analysis
      iii. Overdrafts analyzed for payment by bank employee on an ad hoc basis ONLY

   b) Alternative services: (Please check all that apply)
      iv. Transfer from line of credit
      v. Transfer from other account
      vi. Deposit advance program

5) **What types of consumer transaction accounts are covered by your bank's overdraft payment program and alternative services? (Check all that apply.)**
   a) Checking
   b) NOW Accounts
   c) MMDA

6) **Does your bank offer overdraft payment program coverage for ATM and POS debit card transactions?[1]**

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[1] Answers “Yes” or “No”

7) When did your bank initiate its current consumer overdraft payment program and alternative services?

	< 1 year ago	1-3 years ago	3-5 years ago	5-10 years ago	10+ years ago
Automated service to analyze and approve overdrafts for payment					
Hybrid combining automated payment and bank employee analysis					
Overdrafts analyzed for payment by bank employee on an ad hoc basis ONLY					
Transfer from line of credit					
Transfer from other account					
Deposit advance program					

8) What are your bank's eligibility requirements for its consumer overdraft payment program and alternative services? (Check all that apply.)

	Auto service to analyze/approve overdrafts for payment	Hybrid combining auto payment and bank employee analysis	Overdrafts analyzed for payment by bank employee on an ad hoc basis ONLY	Transfer from line of credit	Transfer from other account	Deposit advance program
Regular deposits						
Credit check/underwriting						
Check verification system						
Account age						
Overdraft history/number of overdrafts						
Average balance						
Duration at address						
Other						
None						

9) **Does your bank offer short-term, small-dollar loans?** [1]

10) **Please indicate the applicable features of the short-term, small-dollar loans offered by your bank? (Check all that apply.)**
   a) Payment periods beyond a single paycheck cycle
   b) Annual percentage rates below 36 percent
   c) Low or no origination fees
   d) Streamlined underwriting
   e) Prompt loan application processing
   f) Automatic savings component
   g) Access to financial education

11) **What is your bank's eligibility/acceptance rate for its consumer overdraft payment program and alternative services? (Represent as a percentage.)**
   a) Overdraft payment program
   b) Account transfer
   c) Overdraft line of credit
   d) Deposit advance program
   e) Small-dollar loans

12) **Are consumer transaction accounts covered by your bank's overdraft payment program and alternative service(s) at the same time?**
   a) Yes, overdraft payment program and alternative service(s) may be active at the same time.
   b) No, accounts may be covered by either overdraft payment program or alternative service only.

13) **By default, in what order are your bank's consumer overdraft payment program and alternative services activated?**
   a) Automated service to analyze and approve overdrafts for payment
   b) Hybrid combining automated payment and bank employee analysis
   c) Overdraft analyzed for payment by bank employee on an ad hoc basis ONLY
   d) Transfer from a line of credit
   e) Transfer from other account
   f) Deposit advance program

14) **How are funds transferred from other accounts or advanced from lines of credit to cover NSF items?**

	Amount of NSF item	Incremental amount transferred
Transfer from line of credit		
Transfer from other account		

15) **Approximately, what percentage of the following customer segments have elected to opt in to overdraft coverage for ATM and POS debit card transactions since the Reg E compliance date, July 1, 2010?**
   a) Existing customers as of July 1, 2010
   b) New customers after July 1, 2010
   c) Don't Know

[1] Answer choices "yes" or "no"

16) **Approximately, what percent of customers have elected to opt-out of overdraft coverage for checks and ACH transactions?**

17) **In what order are the following transaction types posted to transaction accounts?**
   a) Deposits
   b) ACH credits
   c) Checks
   d) ACH debits
   e) POS debit card transactions
   f) ATM withdrawals

18) **In what order are checks posted to transaction accounts?**
   a) Check number
   b) Date
   c) High to low transaction amount
   d) Low to high transaction amount
   e) Order processed/received

19) **Has your bank's posting order changed in the last 2 years for:** [1]
   a) Checks
   b) Transaction type

20) **What was your bank's previous transaction type posting order (list in order)?**
   a) Deposits
   b) ACH credits
   c) Checks
   d) ACH debits
   e) POS debit card transactions
   f) ATM withdrawals

21) **What was your bank's previous check posting order (list in order)?**
   a) Check number
   b) Date
   c) High to low transaction amount
   d) Low to high transaction amount
   e) Order processed/received

22) **Does your bank's overdraft payment program set different coverage limits based on customer eligibility requirements?** [1]

23) **Please place a dollar value to represent coverage limit(s) for your bank's overdraft payment program. If your program has multiple coverage limits, please indicate the lowest and highest overdraft coverage limits.**
   a) Limit ($)___________
   b) Low limit ($)________
   c) High limit ($)________
   d) Items paid on case-by-case basis determined by employee review

[1] Answer choices "yes" or "no"

24) Please indicate the fee structure for your bank's overdraft payment program and alternative services. Check all applicable fee types. If you charge a periodic fee, please indicate fee type.

	Fee Structure				Fee Amounts			Periodic Fee Type			Interest Assessed
	Per occurrence	Initiation	Periodic	Interest assessed	Per occurrence	Initiation	Periodic	Annual	Monthly	Daily	APR
Automated service to analyze & approve overdraft for payment											
Hybrid combining automated payment & bank employee analysis											
Overdrafts analyzed for payment by bank employee on an ad hoc basis ONLY											
Transfer from line of credit											
Transfer from other account											
Deposit advance program											

25) Please indicate your bank's returned item fee amount in dollars ($).

26) Does your bank's overdraft payment program and alternative services include any of the following fee caps and/or exceptions? (Check all that apply.)

	Waive fees for transaction amounts below certain threshold	Waive fees for overdraft amounts below certain threshold	Periodic fee limits	Fee reduction per occurrence	Courtesy fee waivers	N/A
Automated service to analyze and approve overdrafts for payment						
Hybrid combining automated payment and bank employee analysis						
Overdrafts analyzed for payment by bank employee on an ad hoc basis ONLY						
Transfer from line of credit						
Transfer from other account						
Deposit advance program						

27) Please indicate your bank's threshold amount for fee waivers:

a) Transaction amount threshold ($)________

b) Overdraft amount threshold ($)__________

28) Approximately, what percentage of consumer transaction accounts had the following number of overdraft items paid under your bank's overdraft payment program over the previous 12 months? Responses must equal 100 percent.

a) None (0)

b) Once (1)

c) 2-6

d) More than 6

e) Don't know

29) Which of the following BEST describes the change in consumer overdraft activity at your bank since Reg E opt-in requirements for ATM and POS debit transactions became effective, July 1, 2010?

	Increased significantly	Increased slightly	Remained the same	Decreased slightly	Decreased significantly	Don't know
NSF items paid						
NSF items returned						

30) To the best of your knowledge, what is your bank's level of fee income from its overdraft payment program expressed as a percentage of the following?

a) Total DDA revenue

b) Net income after taxes

31) Which of the following BEST describes the change in your bank's monthly revenue due to the following?

	Increased significantly	Increased slightly	Remained the same	Decreased slightly	Decreased significantly	Don't know/NA
Reg E changes on July 1, 2010						
FDIC Overdraft Guidance on July 1, 2011						

32) To the best of your knowledge, what percentage of your bank's total NSF items are paid under your overdraft payment program and alternative services?

33) By whom are the POLICIES for your bank's overdraft payment program reviewed for compliance? (Check all that apply.)

	Board of directors	Senior management	Legal counsel	Compliance officer	Other
Automated service to analyze overdrafts for payment					
Hybrid combining automated service and bank employee analysis					

34) By whom are PROCEDURES for your bank's overdraft payment program reviewed for compliance? (Check all that apply.)

	Board of directors	Senior management	Legal counsel	Compliance officer	Other
Automated service to analyze overdrafts for payment					
Hybrid combining automated service and bank employee analysis					

35) How frequently does management review reporting for your bank's overdraft payment program in each of the following areas?

	Daily	Weekly	Monthly	Quarterly	N/A
Program usage					
Fees & interest					
Excessive usage					

36) Does your bank suspend customers from your overdraft payment program for any of the following reasons?

a) High negative balance
b) Extended negative balance
c) Excessive overdraft usage
d) We don't suspend customers

37) When does your bank inform customers of overdraft payment program features? (Check all that apply.)

a) At program initiation
b) At account opening
c) Whenever program changes
d) When program usage thresholds are triggered
e) Other:

38) When does your bank inform customers of alternative service(s)? (Check all that apply.)

a) At program initiation
b) At account opening
c) Whenever program changes
d) When overdraft payment program usage thresholds are triggered
e) Other:

39) How does your bank inform customers of the features of your overdraft payment program and alternative services? (Check all that apply.)

a) Account disclosures
b) Statement/statement insert
c) Marketing materials
d) Advertisements
e) Customer contact personnel
f) Other:

40) Does your bank disclose overdraft payment program coverage limits to customers? (Check all that apply.)

a) Yes, upon customer inquiry
b) Yes, in account disclosures
c) Yes, in statement/statement insert
d) Yes, in marketing materials
e) Yes, in advertisements
f) Yes, through customer contact personnel
g) No

41) Is your bank's overdraft payment program managed by a vendor or other third party? [1]

42) Was your bank's overdraft payment program established/expanded with the adoption of the vendor/third party program? [1]

43) Does the program vendor/third party receive a portion of overdraft revenue as compensation? [1]

44) Is the program vendor's compensation dependent on minimum usage or other features of the program? [1]

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[1] Answer choices “yes” or “no”

Table of Figures