

Greenfield Banking Company – Regulation E FAQ's

Q: What is an overdraft?

A: An overdraft is a situation that occurs when a bank pays a transaction that a customer has authorized even though the customer doesn't have enough money in the account to cover it.

Q: Why do banks pay overdrafts?

A: Banks pay overdrafts because studies have shown that people want important payments to be paid and they are willing to pay a fee for the service. Generally, people want important bills such as a mortgage or rent paid even when they don't have enough money in their account in order to avoid embarrassment, additional fees and possible interruption of service from whomever the payment was to be made. People may also want their ATM and debit card transactions paid to get help in an emergency or to get through a temporary cash-flow problem.

Q: What is overdraft service?

A. Most banks will pay the overdraft as an accommodation, trusting that the customer will repay the amount of the overdraft. Usually, there is a fee associated with that service that varies depending on the bank.

Q: How many people overdraw their accounts?

A: According to the ABA's annual overdraft survey conducted by an independent market research firm (Ipsos-Ried) in August 2009, 82% of bank customers did not pay an overdraft fee in the previous twelve months.

Q: Why aren't overdrafts free?

A: Overdraft fees are intended to be a deterrent to customers so they are careful not to overdraw their account on a regular basis. And, just like any other business, banks have to cover their costs and any risk. Fast food restaurants can't give out free hamburgers and banks can't give out free money to people who overdraw their accounts. If they made it a routine practice, they'd go out of business pretty fast. The fees for overdrafts cover some of the risk the bank is taking when it pays a transaction for someone who doesn't have enough money in their account, in case they don't pay it back.

Q: How do banks determine the price of an overdraft fee?

A: Determining the price of an overdraft fee is a decision that each bank makes for itself, taking into consideration the risks and costs of providing the service, as well as competitive forces.

Q: Why can't the fee be proportional to the amount of the overdraft?

A: The overdraft fee is intended to be a deterrent to customers so they are careful not to overdraw their account on a regular basis. Like a parking ticket, the fine has to be high enough to keep drivers from parking in a fire lane. The same applies to overdraft fees.

Q: What is the new rule?

A: A new amendment to federal regulation "E" prompts customers to choose to allow or not allow banks to authorize ATM and every day debit card transactions if the account has insufficient funds, and to be charged a fee for that service. This change is going into effect on August 15th, 2010 for current customers and new customers will begin the selection process starting July 1, 2010 when opening an account. The regulation states that we need to receive permission or an "opt-in" from customers to continue to allow use of this service on an account. If we do not receive an "opt-in" or you choose to "opt-out" by this date, we will decline card transactions when there aren't enough funds to cover them, and no service fee will be charged for those transactions.

Q: What would happen if banks stopped offering overdraft coverage?

A: If too many restrictions are placed on overdraft coverage, some banks may decide that it is simply too costly and will no longer offer the service. Customers with no money in their accounts will have their payments denied.

Q: What is going to be different because of this regulation?

A: If you choose to opt-in, nothing! Your card will continue to work as it does currently with no interruption in service. If you opt-out, we will no longer allow ATM and every day debit card transactions on accounts with insufficient funds and therefore your card will be declined in those situations.

Q: What do I have to do to opt-in or opt-out?

A: There are several options. If you have a checking account with a debit card/ATM card attached you will receive a form (called an A-9) in the mail. You can complete the form and mail it in (the letter includes a postage-paid envelope) or you can bring the form into the bank. You can also use the PURL (an individual web address) that is included in the letter to complete the form online. You also have the option of calling the bank at 317-462-1431 to opt-in or out over the phone. If you have misplaced your form/letter you can stop by any branch for an extra copy.

Q: So by opting-out I will never have a negative balance because my ATM or debit card will be declined?

A: No. There are limited circumstances when it will not be possible for the bank to avoid paying an ATM or other Debit card transaction made by a customer, even if there is not enough money in the account. Customers should not assume that because the ATM or other debit card transaction goes through that there is enough money in their account to cover it. In these cases, the bank may not charge an overdraft fee, but the customer still must re-pay the bank to cover the overdraft.

It is important to keep track of transactions by keeping accurate records and monitoring and reconciling transactions frequently. Online Banking is a great tool to help with this.

Q: Is there some other way I can have these kind of transactions accepted without having an overdraft fee charged?

A: Yes. You can link your checking account to a savings or money market account and automatically pull money from that account to cover an overdraft for much less than an overdraft fee. We also have a service called "Overdraft Protection" which is a line of credit loan attached to your checking account that will cover your overdrafts for a nominal fee plus interest.

Q: How does this new rule affect Bounce Protection Service?

A: Bounce Protection will continue to cover checks, recurring online bill payments and ACH payments. By opting-in you will continue the overdraft service to include ATM and every day debit card transactions.

Q: What happens if I don't opt-in or opt-out by August 15th?

A: You will automatically be opted-out if you do not respond. We must receive your response to continue the service.

Q: Can I change my mind?

A: Yes. You can change your decision at any time by contacting the bank and filling out a new form. However, it is important to note that changing your consent does not require the bank to waive or reverse fees that were incurred prior to the opt-out request.

Q: What if I have a combination of different transactions that cause the overdraft? Are you going to charge a fee if I opted-out?

A: The bank may charge an overdraft fee for check, ACH and recurring debit card or online bill pay overdrafts as normal. If one of these types of transactions causes the overdraft we will charge a fee.

Q: I currently have Overdraft Protection; does this new rule apply to my account?

A: There may be a rare instance that a customer might be at the lending limit for Overdraft Protection. In this situation, the opt-in or out status is very important because if you have opted-out that transaction will be declined but if you opted-in the transaction can be authorized and processed with an overdraft fee.

Q: What if I have more than one account?

A: You may complete a different form for each account or list all of the accounts on one form. Please make sure to include the full account number so that there is no confusion on which account you would like to opt-in or out.

Q: Can I have different choices for different accounts?

A: Yes. During this change you will need to opt-in or out on each account that you have attached to an ATM or debit card so you may have different choices for each account.

Q: I have a joint-account. Can one of us opt-in and the other opt-out?

A: No. The account can only have one choice even if you have two different ATM or debit cards. It is important to note that we will recognize the option chosen in last communication from the account, determined by the date on the form.

Q: Does the rule apply to all personal accounts, including money markets?

A: Yes. The rule applies to all accounts covered by the new regulation, including money markets to the extent that they may be overdrawn by an ATM withdrawal or every day debit card transaction.

Q: What about Business Accounts? Does this regulation apply?

A: No, currently this regulation does not apply to Business accounts.

Q: Does this affect my checks, recurring online bill payments or ACH payments?

A: No. These items will still be paid by the bank at our discretion. You may be charged a \$25 fee per transaction for this service.

Q: Can I opt-in during a debit card or ATM transaction that is being declined?

A: Though you can opt in during regular bank hours, the change will not take affect until the next business day. If you feel you may need this service at some point, just opt in ahead of time. There is no fee charged unless you access the service.

Q: Will the bank still pay an overdraft if I haven't opted-in?

A: We will continue to pay overdrafts on checks, recurring online bill payments, or ACH payments. If your every day debit card purchase or ATM withdrawal would make your account negative, your card will be declined.