



DISCUSSION PAPER

PAYMENT CARDS CENTER

Consumer Testing Informs Policy: Overdraft Regulation as a Case Study

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***Summary:** In November 2009, the Board of Governors of the Federal Reserve System issued regulations that protect consumers from being charged certain fees when, under a discretionary overdraft service, financial institutions pay transactions from a deposit account that contains insufficient funds. Under the regulations, consumers must receive notices that explain any discretionary overdraft services offered to them by their bank. In addition, consumers may not be charged overdraft fees for ATM or one-time debit transactions unless they have opted in to this service. During the rulemaking process, the Board extensively interviewed consumers and tested model notices to understand how consumers think about and use overdraft services. This paper describes banks' overdraft programs, examines lessons learned from consumer testing, and explains how information obtained during consumer testing influenced the rulemaking. In addition, this paper presents some insights about more effective ways of conveying key information about overdraft services to consumers.*

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I. Introduction

On November 12, 2009, the Board of Governors of the Federal Reserve System approved a final rule to regulate overdraft services on bank deposit accounts.¹ An “overdraft service” is defined in Regulation E² as “a service under which a financial institution assesses a fee or charge on a consumer’s account held by the institution for paying a transaction (including a check or other item) when the consumer has insufficient or unavailable funds in the account.”³ Under the new rule, consumers must receive notices that explain any discretionary overdraft services offered to them by their financial institution and must explicitly opt in to a program that charges a fee to honor ATM or one-time debit card transactions for which insufficient funds are available.⁴

During the drafting of this rule and an earlier proposed rule,⁵ staff in the Board’s Division of Consumer and Community Affairs spent considerable time learning about consumers’ knowledge of their overdraft services, the ways consumers use those services, what consumers think about overdraft services generally, and the types of disclosures that might benefit consumers most. This was accomplished through consumer testing: interviewing consumers, presenting consumers with model forms, asking consumers questions in focus groups and in one-on-one sessions with test facilitators, and conducting various related activities.⁶

¹ Electronic Fund Transfers, 74 Fed. Reg. 59,033 (November 17, 2009). See also Truth in Savings, 70 Fed. Reg. 29,582 (May 24, 2005), and Electronic Fund Transfers, 75 Fed. Reg. 31,665 (June 4, 2010), for related rulemakings.

² Regulation E implements the Electronic Fund Transfer Act of 1978, which specifies the rights, liabilities, and responsibilities of participants in electronic fund transfer (EFT) systems.

³ Regulation E § 205.17(a), available at: <http://ecfr.gpoaccess.gov>.

⁴ It is important to note that this rule does not govern all instances in which a bank may cover a consumer’s transaction for which there are insufficient funds. Specifically, three types of services — transfers from a line of credit subject to Regulation Z, transfers from another account held by the consumer, and transfers from margin credit — are not considered “overdraft services” under the regulation. For more information, see Regulation E § 205.17(a)(1). See Alex Kunigenas, “Rules Regarding Overdraft Services: Questions and Answers,” *Consumer Compliance Outlook*, Federal Reserve Bank of Philadelphia (First Quarter 2010), pp. 1, 12-17, for more information on rules related to overdraft services and how the Board’s overdraft regulations operate.

⁵ The proposed rule addressed the ways in which overdraft fees should be disclosed to consumers. See Electronic Fund Transfers, 74 Fed. Reg. 5,212 (January 29, 2009).

⁶ For more information on these phases of testing by the Board, see ICF Macro, *Review and Testing of Overdraft Notices* (Calverton, MD: Macro International Inc., December 8, 2008) and ICF Macro, *Design and Testing of*

Consumer testing, first used by the Board in 1996 when the Board looked at consumer vehicle leasing disclosures, serves a variety of important functions in the Board’s rulemaking process. For example, consumer testing can help Board staff identify the types of information most useful to consumers making decisions related to financial products and services. (Increasing the effectiveness and usefulness of mandated disclosures has been a recognized goal of the Board since 2004.)⁷ Additionally, both interviews and focus groups can help establish how well consumers comprehend information disclosed in a particular format.⁸ This information can then be used to decide what types of disclosures banks should be required to make, or it can help the Board’s staff to decide the scope of certain aspects of a rulemaking.

In 2007, Board staff visited the Payment Cards Center of the Federal Reserve Bank of Philadelphia for a workshop that discussed the use of consumer testing and interviewing in determining the information in credit card solicitations and billing statements that confused consumers most. During that workshop, Jeanne Hogarth, program manager of the Consumer Education and Research Section of the Board’s Division of Consumer and Community Affairs, explained that learning about what confuses consumers allows Board staff to develop insight into how disclosures might be made more clear or effective.⁹ Hogarth argued that if consumers comprehend more, they are in a better position to make informed decisions. She pointed out that while consumer testing is a tool that the Board can use to improve various aspects of its rulemaking, it can be particularly useful when deciding how to make disclosures more effective or useful to consumers.

Overdraft Disclosures: Phase Two (Calverton, MD: Macro International Inc., October 12, 2009), available on the Board of Governors’ website at: www.federalreserve.gov/newsevents/press/bcreg/bcreg20081218a6.pdf and www.federalreserve.gov/newsevents/press/bcreg/bcreg20091112a4.pdf, respectively.

⁷ See Ann Kjos, “Proposed Changes to Regulation Z: Highlighting Behaviors That Affect Credit Costs,” Federal Reserve Bank of Philadelphia Discussion Paper (March 2008), pp. 9-19. Kjos discusses how information obtained when testing consumers can help improve mandated disclosures. See also Mark Furletti, “Federal Consumer Protection Regulation: Disclosures and Beyond,” Federal Reserve Bank of Philadelphia Conference Summary (June 2005), p. 5 and footnote 1. Furletti discusses a comprehensive review begun in 2004, by the Board, of federally mandated disclosures provided to credit card and open-end credit consumers.

⁸ See Kjos (full citation in footnote 7), pp. 9-19, which discusses the use of consumer testing and interviewing in the context of proposed changes to Regulation Z disclosure requirements.

⁹ See Kjos (full citation in footnote 7), pp. 16-19.

On January 22, 2010, the Payment Cards Center held a workshop to revisit the topic of consumer testing using the example of the Board’s new overdraft-related rulemaking. At the January 22 workshop, Dana Miller, a senior attorney in the Board’s Division of Consumer and Community Affairs, discussed consumers’ comments about overdraft services and model disclosures shown to them. She also shared how the Board used this information during the rulemaking process.

The following sections describe banks’ overdraft programs, examine lessons learned from consumer testing, and explain how this information influenced the rulemaking. In addition, this paper presents some insights about more effective ways of conveying key information about overdrafts to consumers.

II. Background on Overdrafts

For many years, banks decided, on a case-by-case basis, whether to honor check-based payments that would overdraw consumers’ accounts.¹⁰ However, over time, two important things happened. First, banks began extending overdraft coverage to more kinds of transactions. Today, overdraft services are regularly extended to cover overdrafts resulting from ATM withdrawals, debit card transactions at the point-of-sale, online transactions, preauthorized transfers, and ACH transactions.¹¹ Second, banks began automating the decision-making process by employing standardized procedures to make rapid decisions about whether to honor consumers’ insufficiently funded transactions.

These developments — the extension of coverage to noncheck transactions and automation of the decision-making process — likely contributed to a significant increase in the number of banks providing overdraft services, to consumers automatically being enrolled in these programs, and to increased overdraft-related revenue. A 2008 Federal Deposit Insurance Corporation (FDIC) study (based on a survey of 1,171 FDIC-supervised banks) found that as of 2006, 86 percent of banks “operated at least one

¹⁰ See Electronic Fund Transfers, 74 Fed. Reg. 59,033-59,034 (full citation in footnote 1), section titled “Historical Overview of Overdraft Services,” for a brief history of overdraft services.

¹¹ See Electronic Fund Transfers, 74 Fed. Reg. 59,033-59,034 (full citation in footnote 1), section titled “Historical Overview of Overdraft Services.”

formal overdraft program” — with 40.5 percent of all banks offering automated overdraft programs. Among large banks (those with \$1 billion or more in assets), 76.9 percent offered automated overdraft programs.¹² The study also found that 75.1 percent of all banks automatically enrolled consumers in overdraft programs. And while estimates vary as to the amount of the average overdraft-related fee charged to consumers,¹³ overdraft-related fees generate significant income for banks.¹⁴

Yet as overdraft programs have become more common, they have attracted criticism.¹⁵ In particular, consumer advocates have argued that: (i) a small portion of consumers — heavy overdraft users — pay the majority of overdraft fees;¹⁶ (ii) overdrafts are a high-cost form of lending but have not been regulated as such;¹⁷ (iii) overdraft programs are not well understood by many consumers;¹⁸ and (iv) consumers are extended overdraft coverage when — if they were made fully aware of the charges — they would not want the coverage.¹⁹

¹² Federal Deposit Insurance Corporation, *FDIC Study of Bank Overdraft Programs* (Washington D.C.: FDIC, 2008), pp. 2-3, available at: www.fdic.gov/bank/analytical/overdraft/FDIC138_Report_FinalTOC.pdf.

¹³ See, for example, Moebs Services, *Banks' 2010 Overdraft Revenue to Fall 5 Percent to \$35.2 Billion*, (Lake Bluff, IL: Moebs Services, 2010), p. 1, available at: www.moebs.com/Pressreleases/tabid/58/ctl/Details/mid/380/ItemID/132/Default.aspx. Moebs estimates that the median overdraft fee in 2010 is \$27. See also Christopher A. Riley and Erica F. Ghali, “Are Overdraft Policies Overdrawn? A Review of Overdraft Fee Litigation and the Regulatory Response,” *Consumer Financial Services Law Report* (April 14, 2010), p. 3, noting that it has been reported that the average overdraft service-related fee in 2010 was \$33.

¹⁴ The FDIC study noted that reporting banks earned an estimated \$1.97 billion in overdraft and insufficient fund-related fees in 2006. This amounted to 74 percent of all service charge-related income reported by those banks on their call reports and 6 percent of total net operating revenue for these institutions. (FDIC study, pp. 3-4; full citation in footnote 12).

¹⁵ See Electronic Fund Transfers, 74 Fed. Reg. 59,033-59,034 (full citation in footnote 1).

¹⁶ Leslie Parish, “Overdraft Explosion: Bank Fees for Overdrafts Increase 35% in Two Years,” *Center For Responsible Lending Report* (Oct. 2009), p. 4. In addition, the FDIC’s study found that 93 percent of overdraft fees paid come from 14 percent of account holders who overdraw their accounts at least five times per year (FDIC study, p. 4; full citation in footnote 12).

¹⁷ Tim Westrich, “Never Pay Another Overdraft Fee,” *Center for American Progress* (September 24, 2007), p. 1. See also Parish, p. 1 (full citation in footnote 16).

¹⁸ Letter from Lauren Z. Bowne, Staff Attorney, Consumers Union, to Ms. Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System (March 12, 2009), at the appendix in this source (“Financial Regulation Poll”), p. 3, available at: www.consumersunion.org/pub/pdf/overdraft-comments-309.pdf.

¹⁹ Jean Ann Fox and Patrick Woodall, “Overdrawn: Consumers Face Hidden Overdraft Charges From Nation’s Largest Banks,” *Consumer Federation of America Report* (June 2005), p. 4. This article notes that 82 percent of

There is also evidence that these programs, and the fees associated with them, are not transparent to consumers. For example, the Government Accountability Office (GAO) has found that consumers often find it difficult to obtain important information related to overdrafts and, specifically, the costs associated with them.²⁰ This led the GAO to recommend that federal banking regulators review how and when consumers receive overdraft-related disclosures and take actions to ensure that consumers receive disclosures that enable them to make meaningful comparisons.

In light of these and other concerns, the Board (in conjunction with other federal banking regulatory agencies) proposed in May 2008 to exercise its authority under the Federal Trade Commission Act to, among other things, require banks to provide consumers with aggregate totals for overdraft fees and for returned item fees, send consumers opt-out notices, and provide certain balance disclosures at ATMs and points of sale.²¹ This was not the first time the Board had addressed overdrafts. For example, in 2005, the Board issued revisions to regulations to address concerns about the uniformity and adequacy of banks' disclosure of overdraft fees.²² But the 2008 proposal marked the beginning of a series of consumer testing sessions the Board used to better understand how consumers think about and use overdrafts. As Miller explained at the workshop, Board staff learned several lessons from these sessions.

III. The Lessons the Board Learned from Consumers about Overdrafts

The Board conducted two separate phases of consumer testing between March 2008 and October 2009.²³ For these phases, composed of six rounds of testing, the Board engaged a consumer testing consultant, Macro International Inc., to help develop, test, and revise model forms. According to Miller,

consumer survey respondents indicated that no overdrafts should be permitted as a result of an ATM transaction unless notice is given at the ATM.

²⁰ Government Accountability Office, *Federal Banking Regulators Could Better Ensure That Consumers Have Required Disclosure Documents Prior to Opening Checking or Savings Accounts* (Washington, D.C.: GAO, January 2008), GAO Report 08-021, p. 1.

²¹ Unfair or Deceptive Acts or Practices, 73 Fed. Reg. 28,904 (May 19, 2008).

²² Truth in Savings, 70 Fed. Reg. 29,582 (May 24, 2005).

²³ See the ICF Macro reports (full citation in footnote 6), for more information on these two phases of consumer testing.

these testing sessions provided much noteworthy information about how consumers think about and use overdrafts and overdraft services. She emphasized three findings: first, consumers do not view all overdrafts in the same way; second, misconceptions about how overdraft services work abound; and third, consumers' understanding of overdraft services can be improved through the careful use of formatting and, ultimately, the information included in (and excluded from) disclosures.

A. Not All Overdrafts Are the Same to Consumers

According to Miller, one of the first things Board staff learned from testing was that consumers do not view all types of overdrafts in the same way. Miller noted that in the first rounds of testing, consumers expressed a strong preference for having important transactions covered — transactions such as mortgage or other bill payments — without having to authorize their bank to provide overdraft coverage. At the same time, consumers preferred to have discretionary transactions treated differently. In other words, most participants preferred that overdraft services cover important bills automatically, but they did not want to be enrolled in overdraft services for discretionary expenditures or transactions unless they affirmatively consented or opted in. Miller explained that this feedback played an important role in refining the scope of the final rule. For example, the final rule requires banks to obtain opt-ins from consumers in order to charge fees to honor overdrafts related to ATM and one-time debit card transactions, but it does not require banks to obtain opt-ins for overdrafts related to checks, ACH, or recurring debits.

B. Misconceptions About Overdraft Services Are Common

Miller explained that most test participants had a general understanding that “overdrafts” occur when a withdrawal or transaction from their bank account causes the balance in the account to go below zero. Nevertheless, most participants were unaware of precisely what overdraft services are or how they work. Miller noted that many consumers tested believed that, even with overdraft coverage, their bank would not allow them to overdraw their account at an ATM. Miller also noted that when test participants were presented with model disclosures explaining how a hypothetical overdraft service might work, many

struggled to explain the circumstances under which the bank might elect to pay, or not to pay, overdrafts and to explain what charges might apply and when.²⁴

Miller observed that a significant number of participants had difficulty comprehending certain terms and conditions of the hypothetical program (despite the fact that the program was modeled on real banks' programs). Common misunderstandings included that the notice was about other types of overdraft plans, such as a linked savings account or a line of credit; whether the hypothetical bank had the ability to exercise discretion over whether to provide overdraft services (even once consumers had opted in for the service); and whether there were limits on the amount that would be paid by the bank. In addition, when asked to describe how the hypothetical overdraft program worked, participants often reasoned from personal experiences with overdraft programs rather than on the basis of the notices given to them, even when instructed to base any answers on the notice provided. Miller pointed out that even when consumers relied on their real-life experiences, they often still expressed misunderstandings about nearly universal program features.

Overall, Miller argued that well-designed disclosures can provide a clear presentation of key information to consumers who are faced with making decisions about financial products and services. However, she noted that even well-designed disclosures cannot make all products comprehensible to all consumers. Nor can they act as a substitute for general financial education. Miller observed that consumer testing helps Board staff understand how consumers process information, identify information consumers need to make a decision, and determine how information can be more clearly presented to consumers. (This topic is covered in the next section.) Miller flipped through a packet of different versions of the model notices that were tested,²⁵ pointing out changes in subsequent model notices that were influenced by feedback from test participants. Expressing optimism about the final model notice presented to consumers by the Board, Miller noted that testing of this notice resulted in substantially greater understanding of the key terms and conditions of the hypothetical overdraft program. Such a reduction in

²⁴ See also the findings in the second of the two ICF Macro reports, pp. 22-23, 26 (full citation in footnote 6).

²⁵ These notices are reprinted in appendices C and D of the second ICF Macro report (full citation in footnote 6).

consumers' misperceptions indicated that consumer testing can indeed help the Board achieve incremental improvements in the effectiveness and usefulness of model disclosures.

C. Judicious Use of Formatting Improves Consumers' Comprehension

A third finding from overdraft-related consumer testing that Miller discussed was that the use of bold text, bold headings, or tables in disclosure forms can improve consumers' comprehension of important information contained in disclosures.²⁶ Miller noted that the ways in which key information is presented to consumers matter, independent of what kinds of information consumers receive (the subject of the preceding section).

Miller explained that early versions of the model disclosures tested were legally precise and contained boldface sentences explaining certain legal rights, but they contained no tables and no boldface fee amounts.²⁷ Based on testing results for these forms, Board staff decided to try adding tables. These tables displayed information such as aggregate overdraft-related fees and the types of transactions that would qualify for automatic coverage versus those that would require an opt in.²⁸ Miller noted that these tables have generally proven popular with test participants and that many consumers reported a preference for tables because of their clarity and understandability. However, Miller observed that when it came to evaluating the effects of tables, not all tables and headings tested were equally successful. Essentially, not all information that Board staff put into tabular form drew the attention of consumers or resulted in increased comprehension of desired terms and conditions. As an example, Miller noted that when Board staff used a table to provide consumers with details about opt-in choices for overdrafts,²⁹ consumers tended to skip over the table.

Miller argued that by testing many different styles of disclosure formats in successive consumer testing situations Board staff is able to reach conclusions about the kinds of information that should be

²⁶ See the appendix for examples of model notices tested by the Board.

²⁷ See "Version O1," in the appendix.

²⁸ See "Version I7" in the appendix.

²⁹ See "Version I7" in the appendix.

highlighted in disclosures. This helps to increase consumers' comprehension of key terms and conditions and to focus consumers' attention on essential information they might otherwise overlook. Nonetheless, a format that works in one instance may not work in another. For example, Miller observed that the final form tested very well with consumers and employs simple statements, limited boldface for particular information, and boldface for the fee amount,³⁰ but it does not contain tables.³¹ She explained that while tables have tested well in other contexts, they did not test well in this instance.

Overall, Board staff, in testing different formats for disclosing information, concluded that consumers want the cost of products and aggregate fee information to be disclosed in clear and readily understandable ways, and that headings, color, shading, and graphics can draw consumers' attention to certain information or areas of a disclosure.³² But, as Miller noted, consumers want only certain kinds of information. Some information, even when presented in a clear and readily understandable fashion, is just not a key factor for consumers when making financial decisions.

³⁰ See "Version I8" in the appendix.

³¹ Compare, for example, "Version I8" with "Version I7" and "Version O1" in the appendix.

³² See the sidebar, "Related Findings from a 2005 Payment Cards Center Conference," which discusses similar findings observed during a 2005 PCC conference.

Related Findings from a 2005 Payment Cards Center Conference³³

Findings similar to these were discussed during a 2005 Payment Cards Center conference on credit card disclosures and protections for consumers who use credit cards. During that conference Scott Hildebrand, a vice president of marketing at Capital One, discussed consumer testing Capital One had done on credit card disclosures. After polling consumers and finding that consumers were interested in knowing three chief things related to their credit cards — rates and fees, the credit line, and the circumstances under which the APR can go up — Capital One had its graphics team come up with six different disclosure designs. These designs were presented to a series of focus groups. According to Hildebrand, after much editing and nearly 100 revisions, the design that consumers ultimately found the most helpful included color, bold lettering, shading, and three distinct sections that detailed interest rates and fees, the reasons why a consumer’s interest rates may change, and other relevant information, such as payment allocation methods. In addition, Hildebrand noted that “an important feature of the prototype [was] that it [had] no asterisks, crosses, legends, or references to other pages.”

Hildebrand boiled Capital One’s broader disclosure-related findings down into five key lessons learned. First, to be effective, disclosures need to be visually appealing. Color, boxes, shading, and graphics can make a disclosure more useful and easier to read. Second, in deciding what to include, those creating disclosures should adhere to the rule of “less is more.” Third, the information in a disclosure should be displayed such that related information is logically grouped. Fourth, disclosures should be as specific as possible. As Hildebrand put it, “Consumers want to understand the consequences of their actions and good disclosures are sufficiently specific so as to help consumers understand the major costs they will face.” Fifth, Hildebrand noted that disclosures should not include euphemisms or warnings, since consumers find them condescending.

³³ See Furletti, pp. 8-9 (full citation in footnote 7), discussing Hildebrand’s comments.

IV. Conclusion

Since the late 1990s, consumer testing has played an important role in the Board's rulemaking process, and, as Miller explained, consumer testing played a particularly important role in the development of several aspects of the Board's recent overdraft rulemaking. Notably, consumer testing helped Board staff learn how consumers use overdrafts and what they think about them — information that helped when deciding the proper scope of the rule. But consumer testing also helped Board staff to refine and improve model disclosures that are intended to encourage banks to provide consumers with good information that helps them make important financial decisions. Several workshop participants suggested that the effectiveness of these disclosures can be further confirmed by re-testing consumers' understanding of them after the rule is implemented.

Miller concluded by arguing that, ultimately, notices and disclosures must be designed to be concise, simple, and understandable to consumers. For only if consumers understand information presented to them can they make informed choices. Looking at the future of consumer testing, Miller emphasized that because consumer testing provides a means of assessing the usefulness of disclosures and notices to consumers, it will continue to be an important tool used by the Board in developing effective consumer protection regulation.

Select Model Overdrafts Disclosure Forms Tested by the Board

EXPLANATION OF OVERDRAFT COVERAGE

Description of Your Coverage

We provide overdraft coverage for your account. This means that if you do not have enough money in your account for an ATM withdrawal or a one-time debit card transaction, we may still authorize the transaction and pay the overdraft. Having overdraft coverage does **not** guarantee that we will authorize your overdrafts in all cases. If we decide to pay an overdraft, we will charge you a fee. See below for more information, including how to opt out if you do not want us to authorize any ATM or one-time debit card overdrafts.

Overdraft Fees

- We will charge you up to \$30 each time we pay an overdraft.
- We will also charge you \$5 for each day your account remains overdrawn.
- There is no limit on the total amount of fees we can charge you for overdrawing your account.

Your Right to Opt Out of Overdraft Coverage

You may opt out of overdraft coverage for ATM withdrawals and one-time debit card transactions by telling us not to authorize these transactions when you do not have enough money in your account. Opting out may allow you to limit the overdraft fees you are charged. However, some overdrafts could still occur even if you opt out. For example, you may have enough money in your account when we authorize a transaction, but other transactions may reduce the amount in your account before that transaction clears. If this causes an overdraft, you will be charged a fee.

Opting out will not affect whether we pay overdrafts for other types of transactions, including checks. If we decide to pay these overdrafts, we will charge you a fee.

Other Ways to Cover Your Overdrafts

We offer other ways of covering your overdrafts that may be less expensive, such as a link to another account you have with us or an overdraft line of credit. Ask us about these options.

How to Opt Out or Get More Information

To opt out of overdraft coverage or request information about other ways to cover your overdrafts:

- Call us at 1-800-555-1234;
- Visit www.solarbank.com/overdrafts; or
- Complete the form below and mail it to Solar Bank, P.O. Box 1234, Pittsburgh, PA 19714.

 I do not want overdraft coverage for my ATM withdrawals and one-time debit card transactions.
 I want information about other ways to cover my overdrafts.

Printed Name: _____

Date: _____

Account Number: _____

What You Need to Know about Overdrafts and Overdraft Fees

➤ How does Solar Bank treat overdrafts on my account?

Even if you do not have enough money in your account to cover a transaction, we may authorize and pay it anyway depending on the type of transaction you make. If we do, we will charge you fees (see below). This service, which comes with your account, is called “overdraft coverage.”

As an alternative to overdraft coverage, we also offer overdraft protection plans that may be less expensive. Ask us about these plans. Our overdraft protection plans include:

- A link to a savings account you have with us;
- A link to a credit card you have with us; or
- An overdraft line of credit.

➤ How does overdraft coverage apply to my account?

Overdraft coverage applies as shown in the table below.

Type of transaction	Do I have overdraft coverage?*
Checks	Yes
Automatic bill payments	Yes
Transactions using your checking account number	Yes
ATM transactions	No, unless you sign up for it (see below)
One-time debit card transactions	No, unless you sign up for it (see below)

*Overdraft coverage is discretionary, and does not guarantee that we will pay all overdrafts.

➤ What happens if I don't have overdraft coverage for a transaction?

If you do not have overdraft coverage, in most cases your transactions will be declined or returned.

However, there may be instances when you can still overdraw your account. For example, you may have enough money in your account when we authorize a debit card transaction, but other transactions may reduce the funds in your account before that transaction clears. This may cause you to overdraw your account, and you will be charged fees.

➤ What are the fees for overdraft coverage?

Type of fee	Fee**
Overdraft fee	Up to \$30 for each overdraft item.
Sustained overdraft fee	\$5 per day, if your account is overdrawn for 5 or more consecutive business days.

**There is no limit on the total fees we can charge you for overdrawing your account.

➤ How can I sign up for overdraft coverage for ATM and one-time debit card transactions?

To sign up for overdraft coverage for ATM and one-time debit card transactions, or for information about overdraft protection plans:

- Call us at 1-800-555-1234;
- Visit www.solarbank.com/overdrafts; or
- Complete the form below and mail it to Solar Bank, P.O. Box 1234, Pittsburgh, PA 19714.

 ___ I want to sign up for overdraft coverage for ATM and one-time debit card transactions.

Printed Name: _____

Date: _____

Account Number: _____

What You Need to Know about Overdrafts and Overdraft Fees

An overdraft occurs when you do not have enough money in your account to cover a transaction, but we pay it anyway. We can cover your overdrafts in two different ways:

1. We have standard overdraft practices that come with your account.
2. We also offer overdraft protection plans, such as a link to a savings account, which may be less expensive than our standard overdraft practices. To learn more, ask us about these plans.

This notice explains our standard overdraft practices.

➤ What are the standard overdraft practices that come with my account?

We authorize and pay overdrafts for the following types of transactions:

- Checks and other transactions made using your checking account number
- Automatic bill payments

We do not authorize and pay overdrafts for the following types of transactions unless you ask us to (see below):

- ATM transactions
- Everyday debit card transactions

We pay overdrafts at our discretion, which means we do not guarantee that we will always authorize and pay any type of transaction.

If we do not authorize and pay an overdraft, your transaction will be declined.

➤ What fees will I be charged if Solar Bank pays my overdraft?

Under our standard overdraft practices:

- We will charge you a fee of up to **\$30** each time we pay an overdraft.
- Also, if your account is overdrawn for 5 or more consecutive business days, we will charge an additional \$5 per day.
- There is no limit on the total fees we can charge you for overdrawing your account.

➤ What if I also want Solar Bank to authorize and pay overdrafts on my ATM and everyday debit card transactions?

If you also want us to authorize and pay overdrafts on ATM and everyday debit card transactions, call 1-800-555-1234 or visit www.solarbank.com/overdrafts.