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EDITORIAL

A Small Step Back From Usury

Federal lawmakers should curb their enthusiasm over the news that some of the country's largest banks are revising usurious overdraft policies aimed at catching debit card users unaware and wringing as much money out of them as possible.

The new policies, announced by JPMorgan Chase and Bank of America on Tuesday and Wells Fargo on Wednesday, do not go far enough and could eventually be reversed when the spotlight moves elsewhere and the banks feel free to change their minds. The banks' moves are no substitute for federal legislation that would make fair overdraft fees a permanent part of the regulatory landscape.

Current policies are a far cry from a decade ago when most banks simply denied debit transactions, without a fee, when a customer's account was empty. Citibank has a no-charge denial policy.

But over the last decade or so, most major banks have adopted a euphemistically labeled "overdraft protection" system, under which unsuspecting customers are charged as much as \$35 for overdrawing an account by the price of a cup of coffee or a bottle of aspirin. Under this scenario, a series of small, incidental purchases totaling less than \$20 can rack up \$300 in fees.

Chase said that it will cut the maximum number of overdraft charges per day to three from six and will eliminate overdrafts for debit cards unless the customer opts in to the program. Bank of America said it will also cut the number of overdraft charges allowed per day and will make it easier for customers to opt out of the service.

Congress should end the widespread practice by the banks of automatically enrolling customers in these programs. This should be a program that people opt into, as in the Chase model, and only after they have been told in plain language about the costs. Customers should also have the option of terminating a transaction — at the A.T.M. or with a cashier — before they incur a fee.

The new policies do nothing about individual overdraft charges, which are still much too high and can carry an annualized interest rate that exceeds 3,500 percent. That's usury, no matter how you cut it, and it should be disallowed under federal law.

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