



State of Connecticut
HOUSE OF REPRESENTATIVES
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COMMITTEE

Public Hearing on HB-5309, AAC Automatic Overdraft Protection
Testimony for the Banks Committee
March 11, 2010

To The Co-Chairs and Members,

Thank you for allowing me to submit testimony in support of House Bill 5309.

Over the past decade, banks have increased the practice of issuing overdraft and account fees on customers, treating them as supplemental revenue streams rather than as punitive measures. Many individuals make a simple mistake of overdrafting from their account and receive no notification of this action; after an extended period they can incur significant fees as a result of continued overdrafts. This fee setup perpetuates itself by draining bank accounts with "insufficient balance" fees; one's ability to pay the following month's bills is impacted, thus triggering yet more fees. This practice has become commonplace, yet in a time when so many residents struggle to maintain their financial stability, this practice can also be predatory.

I have attached correspondence from a constituent of mine attesting to the increased issuance of such fees. As he mentions, signing up for automatic "insufficient funds" alerts does not automatically preclude repeated overdraft fees from being incurred. A Bank of America technical support worker told my constituent that alerts are not sent out until after a payment is cleared, which means numerous overdrafts may still be processed before being informed that a remedy is needed.

I commend both the committee and the United States Congress for the efforts put forward in reforming certain predatory banking industry practices. This bill represents an important next step. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Ted Graziani", written over a white background.

Rep. Ted Graziani

Correspondence from Ellington resident to Rep. Ted Graziani

I am here to express my opinion about the overdraft fee of Bank of America. I have several business and personal accounts with Bank of America. Although, my personal bills are paid from personal checking, most of money is kept in saving or business accounts. The funds are transferred to the checking account when it is time to pay personal bills. I do that to prevent loss of money if someone steals my debit card number, which is connected to the checking account.

In August of this year, I had an unfortunate overdraft. Once, I had noticed the negative balance, I immediately transferred money same day from a saving account, but it was too late. The bank charged me \$25, \$35, and \$35 for three items. I called Bank of America. A representative explained to me that my payment had been done just after 10PM cut off time. She removed the \$25 charge, but left others unchanged. I asked her for a solution, she offered an overdraft protection from my saving account, but that would cost money and make the saving account subject to theft risks. They she suggested that I should setup account alerts to notify me of negative balance. She told me that if my account balance becomes negative, an alert would be immediately sent to an e-mail and a phone, AND she DID tell me that I would have enough time to cure the negative balance by transferring money by 10 PM of the same day as an alert. I did exactly as told and setup an '*Account has insufficient funds*' alert.

On November 6, 2008, I checked my bank accounts and found that my personal checking had negative balance due to an early auto-withdraw transaction from November 5. I checked my e-mail and phone, there were no messages about any negative balances despite active '*Account has insufficient funds*' alert. I immediately transferred money from a business account, but it was again too late. On November 7, I finally received a text message to my phone at 5:03PM and an e-mail at 9:16PM that I had a negative balance on November 5, 2008; so much for fast alerts. I called the bank on November 7, but they were already closed. I called next day, November 8, 2008. The bank representatives sent me from one person to another. Finally, someone at the technical support explained to me that the alerts are not sent out until after the payment is cleared, which is always after midnight and maybe several days later, and that I have to pay for each day of an overdraft for each item regardless of when the alert is sent. It could result in huge amount. I was shocked to hear that and tried to explain him and other representatives that I had been told that the alerts were sent right away, so there was enough time to cure the balance. The last person I spoke was Jennet or Janet? At 12:38PM EST- She refused to give her ID, last name, or transfer to a supervisor. She kept telling me that I could set up an overdraft payment from the saving account, of course for a fee, but refused to remove the charge and refused to stop my account from allowing having overdrafts. At the end, I asked her to transfer me to a survey, which had been offered at the beginning of the call, she instead hung up.

Recently, Bank of America has received a substantial financial help from the tax payers (\$25 billion). Therefore, I believe that Bank of America must become more consumer-friendly and fair. I remember having worked part-time for \$5.15 / hr trying to save money for an application to Tufts. I know that the minimum wage is a bit higher now and still \$35 for many people is half of their pay-day and too much when it is the bank that makes a mistake. Many people struggle now, lose houses, and live paycheck to paycheck. I think it is time for change.