

February 14, 2012

To: Members of the Banks Committee

Fr: Connecticut Bankers Association

Contacts: Tom Mongellow, Fritz Conway

Re: Proposed S.B. No. 11 AN ACT PROHIBITING THE REORDERING OF TRANSACTIONS FOR THE PURPOSE OF MAXIMIZING OVERDRAFT FEES

Position: Oppose

Overdraft fees on checking accounts are the subject of much debate and scrutiny. The Uniform Commercial Code clearly gives banks the ability to structure the "order" in which checks are paid and court cases across the country have upheld that provision.

Banks process a customer's checks either from the largest amount to the smallest or from the smallest amount to the largest. Banks do not pick their process to maximize overdraft fees.

Many customers want the largest checks (they view as most important), paid first, such as the mortgage or insurance payment. Other customers want the smallest checks paid first so they can have as many checks clear as possible. We receive complaints on both sides of the issue.

Overdraft programs are a valuable convenience that customers want, are willing to pay for and actively use to avoid the embarrassment of a bounced check.

Competition between banks works, and a customer can shop the banks in their area and select the one that meets their overdraft program needs.

We urge your opposition to this proposal.