

SCHWARTZ & BALLEN LLP
1990 M STREET, N.W. • SUITE 500
WASHINGTON, DC 20036-3465

(202) 776-0700

FACSIMILE
(202) 776-0720

www.schwartzandballen.com

M E M O R A N D U M

May 19, 2004

To Our Clients and Friends

Re: Request for Comment on Adequacy of Existing Disclosures for Debit Card Fees

The Federal Reserve Board (the “Board”) is conducting a study on debit card fees and is requesting comment on:

- whether the existing initial, periodic and receipt disclosures required by the Electronic Funds Transfer Act (“EFTA”) adequately inform consumers of fees imposed by the financial institution that holds the consumer’s account and has issued the debit card (“account-holding institution”) when the debit card is used to make a purchase;
- the need for, and the potential benefits, of separately disclosing in each periodic account activity statement sent to a consumer the fees imposed for debit card use; and
- the benefits of requiring disclosure of the amount, source and recipient of each such fee, as well as a summary of the total amount of such fees for the period, and calendar year-to-date.

The study is being done at the request of the Senate Banking, Housing, and Urban Affairs Committee and reflects its concern that consumers may be unaware that the account-holding institution may impose fees when a consumer chooses to use a debit card authorized with a PIN, rather than with a signature, to make a point-of-sale transaction.

Comments are due by July 23rd.

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EXISTING DISCLOSURES

The EFTA and its implementing regulation, Regulation E, provide for the following disclosures to consumers on fees for electronic fund transfers (“EFTs”), which include point-of-sale transactions where debit cards are used.

- Initial Disclosure – an account-holding institution must disclose the fee it imposes for an EFT at the time a consumer contracts for the EFT service or before the first EFT is made involving the consumer’s account.
- Periodic Statement Disclosures – an account-holding institution must send the consumer a periodic statement for each account to or from which an EFT can be made. This statement must be sent for each monthly cycle in which an EFT has occurred and at least quarterly even if no EFT has occurred. While the fees assessed against the account during the statement period for EFTs must be disclosed, the periodic statement may contain fees for other non-electronic services and the fees may be aggregated on the statement. The financial institution is permitted, but not required, to itemize the fees charged for EFTs.
- Disclosures contained in receipts provided at electronic terminals – an account-holding institution must make a receipt available to a consumer at the time a consumer initiates an EFT at an electronic terminal. The receipt must contain specific information but a transaction fee must be disclosed on the receipt, and displayed on or at the terminal, only if the fee is included in the amount of the transfer.

The Board’s request for comment can be found at http://www.schwartzandballen.com/whats_new.html.

If you have any questions concerning this request for comment, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.