



**Joint position paper by the Electronic Funds Transfer Association (EFTA) and the ATM Industry Association (ATMIA) on overdraft protection provisions**

Congress is currently considering legislation (H.R. 3904/S. 1799) to regulate overdraft protection programs offered by financial institutions. While the Electronic Funds Transfer Association (EFTA) and the ATM Industry Association (ATMIA) are neutral on the overall intent of the legislation, our respective members have significant concerns with a provision that would require a real-time warning to consumers at ATMs and POS terminals where transactions may result in an overdraft and allow the consumer to cancel the transaction.

On November 12, the Federal Reserve Board (FRB) issued a final rule on overdraft service programs to take effect on July 1, 2010. The final rule requires consumers to opt-in or affirmatively consent to a financial institution's overdraft service for ATM and one-time debit card transactions before overdraft fees may be assessed. In principle, EFTA and ATMIA support this and other measures that result in greater transparency for the consumer. The FRB chose not to address the issue of real-time notification at ATMs or POS terminals because it concluded such notification is not "technologically feasible at many locations at this time, particularly at non-proprietary ATM's and merchant POS terminals."

Even though the FRB did not provide specific examples of the technical challenges posed by real-time notification, EFTA and ATMIA note three prominent challenges as follows:

- Currently no industry-supported message flow exists to provide an available account balance to determine if a consumer's transaction would cause them to enter into an overdraft situation. Not all financial institutions have real time access to other institutions' account information to determine if a consumer's transaction would cause him or her to enter into an overdraft.
- Account balances are only as current as the file being used and the posting order of the transactions.
- Balances often do not reflect teller deposits, withdrawals, transactions processed by another third party processor, or pending recurring payments.

The Senate's overdraft legislation acknowledged the difficulty in providing real-time notice at a POS terminal by asking the Government Accountability Office

(GAO) to study the feasibility, technology and cost issues involved in doing so. ATM real-time notice of an overdraft event has many of the same issues involved. In order to gain a greater understanding of these issues EFTA and ATMIA request that the GAO and the FRB conduct a joint study on real time ATM & POS notifications and report their findings back to Congress. Both EFTA and ATMIA are happy to make its members available to FRB, GAO and Congressional staff to assist in such an endeavor.

**About EFTA**

[www.efta.org](http://www.efta.org)

EFTA is the nation's leading inter-industry non profit, professional association promoting the adoption of electronic payment systems and commerce. EFTA's diverse membership includes financial institutions, information processors, card organizations, automated teller machine (ATM) networks and owners, technology companies and government agencies. Please note that none of the governmental members of EFTA were involved in the development of this position paper.

EFTA's mission is to objectively advance electronic payments and ecommerce, inform the public and private sectors and keep EFTA stakeholders apprised of the business impacts of payments related legislative and regulatory initiatives.

**About ATMIA**

[www.atmia.com](http://www.atmia.com)

The ATM Industry Association is a global non-profit trade association with over 1,300 members in about 50 countries. Its mission is to promote ATM convenience, growth and usage worldwide, protect the ATM industry's assets, interests, good name and public trust; and provide education, best practices, political voice and networking opportunities for member organizations.