

**2008
FEE ANALYSIS
OF
BANK AND CREDIT UNION
NON-SUFFICIENT FUNDS AND OVERDRAFT PROTECTION
PROGRAMS**



Bretton Woods, Inc.

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About Bretton Woods, Inc.

Bretton Woods, Inc. is a management advisory firm specializing in financial institutions. Since 1988, Bretton Woods, Inc. has provided value-added services to its clients by applying business, technology, core deposit and earnings improvement strategies.

The firm has analyzed Non-Sufficient Funds (NSF) and Overdraft Protection (ODP) fees for banks since 1998.

About the Author

G. Michael Flores, CEO of Bretton Woods, has more than 30 years of financial institution experience through his employment in banking as well as consulting. Flores' consulting work focuses on the areas of strategic planning, strategic technology planning, fee income strategies, payment systems, process improvement and reengineering through enabling technologies.

Flores has spoken to industry groups and has authored several articles for industry publications. He is a faculty member with Pacific Coast Banking School in Seattle, Washington where he teaches Technology's Role in Community Banking curriculum for bankers in the graduate school.

Flores received a BBA in Accounting and Management from the University of Notre Dame in 1973 and in 1974 attended the Commercial Lending School at Georgia State University. He is a Certified Mediator with the Center for Dispute Resolution, Boulder, Colorado and also with the American Arbitration Association in Atlanta, Georgia.

2008 Fee Analysis of Bank and Credit Union Non-Sufficient Funds and Overdraft Protection Programs

Executive Summary and Key Findings

Fee Income

- Bank and credit union income from non-sufficient funds (NSF) and overdraft program (ODP) fees exceed \$37 billion.
- NSF/ODP fee income by state ranges from nearly \$73 million in Alaska to \$4.07 billion in California. *(Full state data available on page 14).*

NSF/ODP Cost per Household

- The national annual NSF cost per household with checking accounts is approximately \$368.
- Active households (defined as the 20.2 million households with bank or credit union accounts who write the majority of NSF items) pay \$1,472 in annual NSF fees.

NSF/ODP Transactions

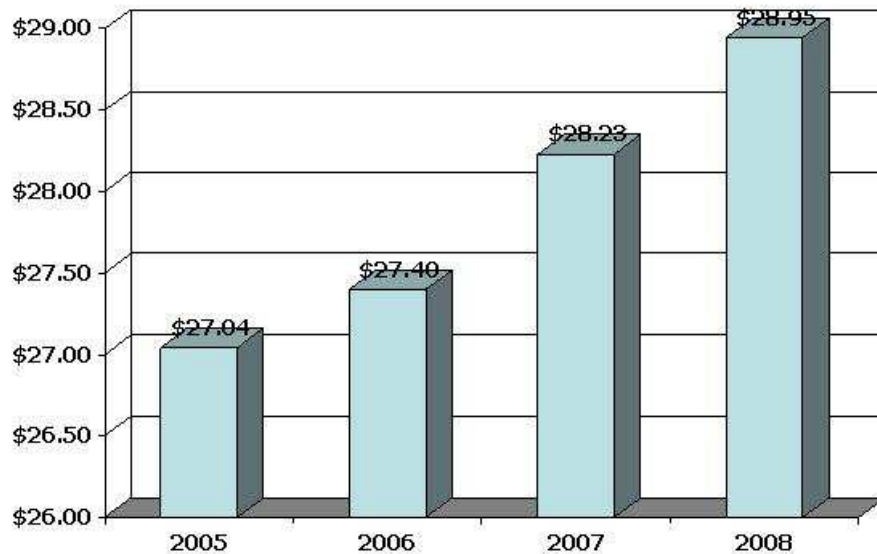
- The average United States household with a banking account incurs 12.7 NSF fees per year.
- Bank and credit union data used in Bretton Woods' modeling determined 1.28 billion separate check and electronic NSF items.
- An estimated 20.2 million households with bank or credit union accounts write the majority of NSF items (1.02 billion) incurring \$29.7 billion in NSF fees or approximately \$1,472 in fees per active household.

The research exhibited in this report is an update to Bretton Woods' analyses conducted in October 2004, February 2005 and January 2007 to quantify NSF/ODP (Non-Sufficient Funds/Overdraft Protection) fee trends in banks and credit unions. As in the 2007 report, Bretton Woods also analyzed the NSF/ODP activity by state.

National Findings and Analysis

NSF/ODP fees and transactions on the rise

Bankrate.com surveys indicate NSF/ODP fees have risen significantly from 2005 to 2008¹, with the average fee now at \$28.95 per transaction, an increase of more than 7% in the past three years.²



During the period from 2005-2008, not only did the average NSF fee increase, but the number of debits presented against insufficient funds soared to 1.28 billion³ (checks and electronic), an increase of 16.3%.

	2004	2005	2007	2008	Compound Growth
NSF/OD Fees Paid	\$16.0B	\$18.8B	\$30.2B	\$37.0B	130%
Total Number of NSF Items	619.2 M	728.4 M	1.12 B	1.28 B	107%
Average Usage per Account Holder	4	4	11.25	12.7	217%

¹ Bankrate.com, October 27, 2008; <http://www.bankrate.com/brm/news/chk/chkstudy/20081027-bounced-check-fees-a1.asp?caret=2>

² Bankrate.com, October 27, 2008; <http://www.bankrate.com/brm/news/chk/chkstudy/20081027-bounced-check-fees-a1.asp?caret=2>

³ The 1.28 billion in transactions is calculated by dividing the \$37.2 billion in NSF/ODP fee income by the \$28.95 average NSF fee.

In total, 101 million households⁴ in the United States currently hold checking accounts and, on average, each household in the United States with a banking account incurs 12.7 NSF fees per year.⁵ With each of these transactions incurring an average fee of \$28.95, the average U.S. household paid \$367.67 in NSF/ODP in 2008.

NSF fee prices rose 3.0% from December 2006 – December 2007 while the Consumer Price Index (CPI) rose 2.8%⁶. The full 2008 CPI is not yet available. However, the CPI in the latter part of 2008 may be skewed due to the unprecedented rise and fall in energy costs.

In addition to the rising average fee, new tiered NSF fee structures from a growing number of banks are increasing costs for consumers as indicated in a web site survey of six of the largest banks in the United States.⁷

Company	Fee	Comment
Bank of America	\$25 each item. Beginning February 9, 2009, \$35 each item	Charges apply to a maximum 5 items per day or \$175 per day
Wachovia	\$22 first item, \$35 each additional item	No daily limit
US Bank	1 occasion \$19.00 per item; 2-4 occasions \$35.00 per item; 5 or more occasions \$37.50 per item	Fees are subject to a daily maximum of 6 overdraft items paid and 6 overdraft items returned - a maximum total of 12 per day or \$424 per day
Citibank	\$34 per item	No daily limit
Wells Fargo	\$33 for every overdraft fee and \$28 for every NSF fee	There are overdraft protection transfer/advance service fees depending on which account is linked to the Checking Account for Overdraft Protection: <ul style="list-style-type: none"> • Savings accounts. A daily fee of \$10 applies for all overdrafts that occur in a single day. • Credit Card. \$10 if the total of Overdraft Protection advances for the day is less than \$25.00. \$12.50 if the total of Overdraft

⁴ Claritas data.

⁵ 1.28 billion NSF items divided by 101 million households with checking accounts

⁶ Consumer Price Index – US Department of Labor, Bureau of Labor Statistics, <ftp://ftp.bls.gov/pub/special.requests/cpi/cpiiai.txt>

⁷ Web site survey conducted by Bretton Woods, Inc, on December 15, 2008

		Protection advances for the day is \$25.01 - \$100.00. \$15.00 if the total of Overdraft Protection advances for the day is \$100.01 - \$500.00. \$20.00 if the total of Overdraft Protection advances for the day is more than \$500.00.
SunTrust	\$35 per item	No daily limit

Minority of account holders pay majority of NSF/ODP fees

An estimated 20.2 million households, about 20 percent of households with bank or credit union accounts, write the majority of NSF items (1.02 billion) incurring \$29.7 billion in NSF fees or approximately \$1,472 in fees per active household.

Using a standard Pareto analysis⁸, for 2008, it is estimated that 20.2 million households with banking accounts incur \$29.7 billion in NSF fees. Active households incur 50.9 separate NSF/ODP fees per year⁹, approximately \$1,472 NSF/ODP¹⁰ fees per active household.¹¹ Said another way, 20% of checking account holders were responsible for 1.02 billion (80%) NSF/ODP transactions.

This data is backed up by a recent study by the FDIC finding that customers with 5 or more NSF transactions accrued 93.4 percent of the total NSF fees reported for the 12-month period. Customers with 10 or more NSF transactions accrued 84 percent of the reported fees.¹²

⁸ The **Pareto principle** (also known as the **80-20 rule**, the **law of the vital few** and the **principle of factor sparsity**) states that, for many events, roughly 80% of the effects come from 20% of the causes. Business management thinker Joseph M. Juran suggested the principle and named it after Italian economist Vilfredo Pareto, who observed that 80% of income in Italy went to 20% of the population. It is a common rule of thumb in business; e.g., "80% of your sales come from 20% of your clients." Standard Pareto analysis (80/20 rule) supported by Bretton Woods experience and FDIC data

⁹ 1.02 billion NSF items divided by 20.2 million active NSF households

¹⁰ 50.9 multiplied by \$28.95

¹¹ 101 million households with checking accounts multiplied by 20%

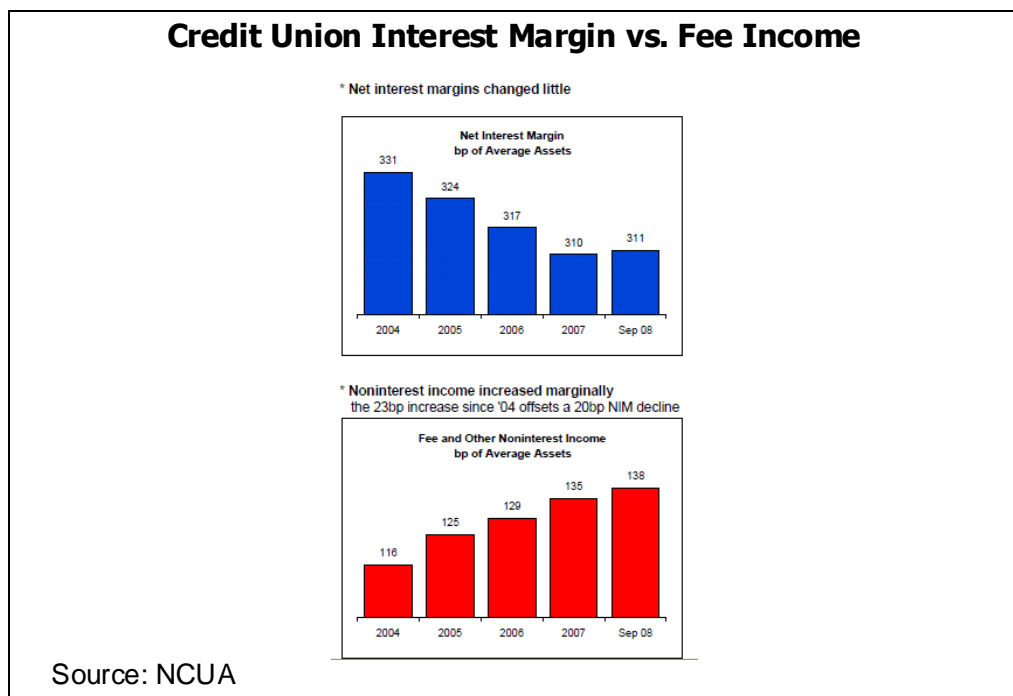
¹² FDIC report

Bank and Credit Union income from NSF/ODP fees on the rise

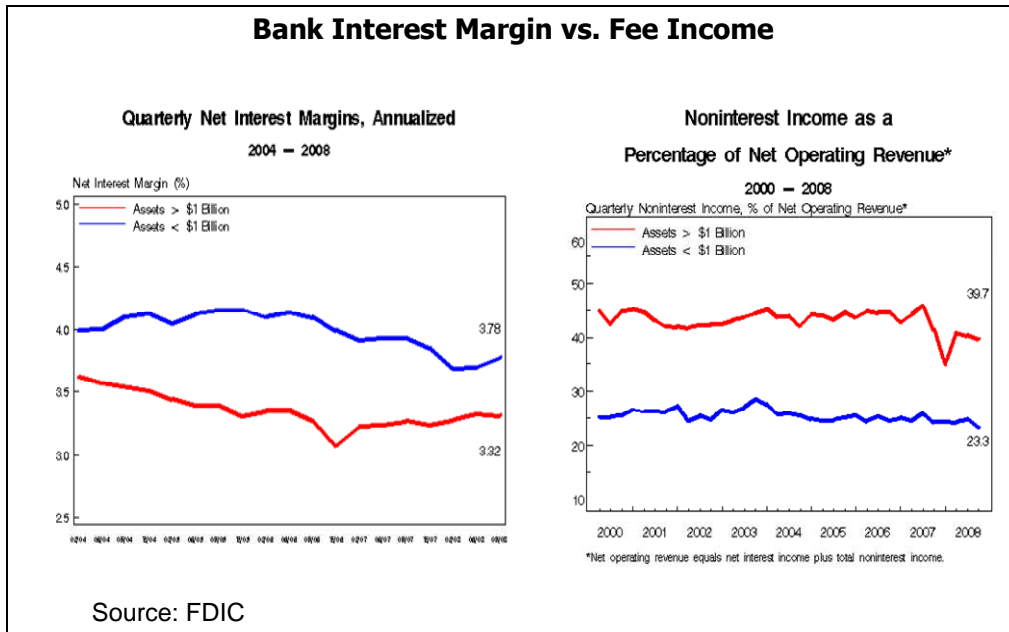
NSF/ODP fees are becoming a greater contributor to bank profitability¹³. In 2008, banks and credit unions will have collected in excess of \$37 billion in NSF/ODP fees from checking account holders. This represents a 130% increase since 2004.

Traditionally, banks and credit unions derive income from two sources, the net interest margin (difference between interest income and interest expense) and fees. As the following charts indicate, net interest margin has been falling since 2004 and fee income has been increasing.

Given the pressure on earnings today in banks and credit unions, the focus has been to concentrate on fee income to offset the narrowing net interest margin. The increased use of formal Overdraft Protection programs by banks and credit unions have also maximized the fees earned by these organizations.



¹³ GAO report, "Report to the Chairwoman, Subcommittee on Financial Institutions and Consumer Credit, Committee on Financial Services, House of Representatives", January 2008, page 25



The FDIC survey on bank overdraft protection programs estimates 74% of reported service charge income is NSF/ODP fees. Bretton Woods' estimates 80% of credit union fee income comes from NSF fees.¹⁴

¹⁴ Due to the methodology by which credit unions report fee income, it is difficult to determine the exact dollars attributable to NSF fees. However, it is Bretton Woods' experience analyzing several credit unions over the past eight years that 80% of fee income can be attributed to NSF fees

The following chart analyzes the trend in service charge income for banks and thrifts and fee income for credit unions¹⁵ from the previous report in 2006 to third quarter of 2008. NSF/ODP fees were extrapolated based on a recent FDIC study¹⁶ for banks and thrifts and Bretton Woods' experience with credit unions. The number of households with checking accounts was derived from analytics developed by Claritas, Inc.¹⁷. These data points drove NSF usage characteristics on a national and state level.

	2008 Annualized	12/31/2007	12/31/2006	12/31/2005	% Change 2005 - 2008
BANKS & THRIFTS (FDIC and SNL Data)					
Number of bank and thrift institutions reporting	8384	8534	8680	8833	-5.1%
Total Assets	13,573,690,846	13,034,101,616	11,861,518,573	10,878,260,666	
Service charges on deposit accounts	\$ 42,794,784	\$ 39,219,428	\$ 36,299,831	\$ 34,450,355	
SC/Assets	0.32%	0.30%	0.31%	0.32%	
Bank NSF/OD Income	74%	\$ 31,668,140	\$ 29,022,377	\$ 25,493,263	24.2%
<i>74% Source: FDIC</i>					
CREDIT UNIONS (NCUA and SNL Data)					
Number of credit unions reporting	7904	8101	8743	8832	-10.5%
Fee Income	\$ 6,884,784	\$ 6,382,973	\$ 5,905,248	\$ 5,463,709	
Credit Union NSF/OD Income	80%	\$ 5,507,827	\$ 5,106,378	\$ 4,724,198	26.0%
<i>80% Source: Bretton Woods, Inc. Estimate</i>					
TOTAL NSF/OD INCOME	\$ 37,175,967	\$ 34,128,755	\$ 31,586,073	\$ 29,864,230	24.5%
Average NSF Fee (Bankrate.com)	\$ 28.95	\$ 28.23	\$ 27.40	\$ 27.04	7.1%
Number of Occurances (000's) (Fees/Unit Average)	1,284,144	1,208,953	1,152,776	1,104,446	16.3%
Number of Households (000's) (ESRI)	116,385	112,378	111,617	111,091	4.8%
Population (000's) (ESRI)	309,299	301,621	299,398	295,896	4.5%
HH/Population	2.7	2.7	2.7	2.7	
NSF/HH	11.0	10.8	10.3	9.9	
Per Capita NSF	4.2	4.0	3.9	3.7	
Number of Households with Bank Accounts (000's) (For 2008 The Pew Charitable Trusts estimates 102 million; Claritas estimates 101 million. For 2006 Claritas estimates 99.3 million)	101,000		99,300		
NSF/Banked HH	12.7		11.6		
Active NSF Households (20% of banked households)	20,200		19,860		
Total NSF/OD fees per active banked household (80%)	\$ 29,740,774		\$ 25,268,859		
NSF's/OD's per active banking household	50.9		46.4		
NSF/OD fees per active household	\$ 1,472		\$ 1,272		

¹⁵ **SNL Financial**, (snl.com) headquartered in Charlottesville, VA collects, standardizes and disseminates all relevant corporate, financial, market and M&A data — plus news and analysis — for the industries we cover: banking, financial services, insurance, real estate, energy and media/communications.

¹⁶ FDIC Study of Bank Overdraft Programs, November 2008, Page 68

¹⁷ Claritas.com

Banks and Credit Unions employ strategies to increase NSF/ODP transactions

The increased use of overdraft protection programs, rising NSF/ODP fees, transaction posting methodologies and increased NSF occurrences on smaller dollar transactions by consumers are the key elements in the unprecedented rise in the cost of writing a check against insufficient funds.

It has been well reported that many banks and credit unions assign an order of posting in amounts from high to low. That is, a \$2,000 debit will be posted before a \$15 debit, despite the presentation of the \$15 debit first.

This ongoing trend has banks paying debits from high dollar to low dollar based on transaction type. Banks typically pay teller cash items, then POS (Point of Sale)/Debit card and in-house Automated Teller Machine items before paper check items. Based on Bretton Woods' experience, this methodology increases fees and reduces risk of the bank absorbing losses on NSF items paid by the bank and puts the risk on third parties (3rd party ATM, Automated Clearing House, and online/bill payments).¹⁸

This order of posting has now expanded to encompass transaction types with banks and credit unions typically paying teller cash items, then POS /Debit card and in-house ATM items before paper checks.

The ongoing payments evolution from paper checks to debit cards, ATM and other electronic (ACH) transactions contribute to the increase in fees to consumers. That is, the debit card and ATM transactions are typically smaller dollar amounts and as such, are usually posted after larger dollar items – resulting in more transactions presented against insufficient funds.¹⁹

Increased profitability is ensured because consumers now use debit cards, ATM and other electronic transactions as preferred methods of payment rather than checks²⁰.

¹⁸ FDIC Study of Bank Overdraft Programs, November 2008, Pages 11 - 12

¹⁹ According to the FDIC Study of Bank Overdraft Programs n November 2008, Executive Summary, Page V, almost half (48.8 percent) of all reported NSF transactions took place at POS/debit (41.0 percent) and ATM (7.8 percent) terminals. Checks accounted for 30.2 percent of the reported NSF transactions,

²⁰ October 2008 Federal Reserve Payment Study, "Recent Payment Trends in the United States

	Billions of payments	Percent of total	Trillions of dollars	Percent of total	Average, in dollars	Trillions of dollars	Percent of total	Average, in dollars
2003								
Check ¹	37.3	45.8	41.1	60.9	1,103	45.1	60.9	1,209
Electronic	44.1	54.2	26.5	39.1	599	29.0	39.1	656
Debit card	15.6	19.2	.6	.9	40	.7	.9	44
Signature	10.3	12.6	.4	.6	42	.5	.6	46
PIN	5.3	6.6	.2	.3	38	.2	.3	42
Credit card	19.0	23.3	1.7	2.5	89	1.9	2.5	98
General-purpose ²	15.2	18.7	1.4	2.1	93	1.5	2.1	102
Private-label ³	3.8	4.6	.3	.4	76	.3	.4	83
ACH ⁴	8.8	10.7	24.1	35.7	2,754	26.4	35.7	3,017
Retail	7.3	9.0	8.1	12.0	1,106	8.9	12.0	1,211
CCD	1.4	1.7	16.0	23.7	11,272	17.5	23.7	12,348
EBT ⁵ .....	.8	1.0	*	*	26	*	*	29
Total noncash payments	81.4	100.0	67.6	100.0	830	74.1	100.0	909
MIMO								
Total checks written ⁶	37.6	46.2	41.2	61.0	1,095	45.1	61.0	1,200
Checks converted to ACH .....	.3	.4	.1	.1	187	.1	.1	205
2006								
Check ¹	30.5	32.7	41.6	54.9	1,363	41.6	54.9	1,363
Electronic	62.8	67.3	34.2	45.1	544	34.2	45.1	544
Debit card	25.3	27.1	1.0	1.3	39	1.0	1.3	39
Signature	16.0	17.1	.6	.8	40	.6	.8	40
PIN	9.4	10.0	.3	.5	37	.3	.5	37
Credit card	21.7	23.3	2.1	2.8	98	2.1	2.8	98
General-purpose ²	19.0	20.3	1.9	2.5	99	1.9	2.5	99
Private-label ³	2.8	3.0	.3	.3	92	.3	.3	92
ACH ⁴	14.6	15.7	31.0	40.9	2,121	31.0	40.9	2,121
Retail	12.6	13.5	12.1	16.0	959	12.1	16.0	959
CCD	2.0	2.2	18.9	25.0	9,384	18.9	25.0	9,384
EBT ⁵	1.1	1.2	*	*	27	*	*	27
Total noncash payments	93.3	100.0	75.8	100.0	812	75.8	100.0	812
MIMO								
Total checks written ⁶	33.1	35.5	42.3	55.8	1,277	42.3	55.8	1,277
Checks converted to ACH	2.6	2.8	.7	.9	267	.7	.9	267
	Number		Value					
			Nominal		Constant 2006 dollars			
	Change over period (billions of payments)	Annual rate of change (percent) ⁷	Change over period (trillions of dollars)	Annual rate of change (percent) ⁷	Change in average over period (dollars)	Change over period (trillions of dollars)	Annual rate of change (percent) ⁷	Change in average over period (dollars)
Change, 2003 to 2006								
Check	-6.8	-6.5	.5	.4	259	-3.5	-2.6	154
Electronic	18.6	12.5	7.7	8.9	-55	5.2	5.6	-112
Debit card	9.7	17.5	.4	16.0	-2	.3	12.6	-5
Signature	5.7	15.8	.2	14.3	-2	.2	10.9	-6
PIN	4.0	20.6	.1	19.5	-1	.1	15.9	-5
Credit card	2.8	4.6	.4	7.8	8	.3	4.6	*
General-purpose	3.7	7.6	.5	9.9	6	.3	6.6	-3
Private-label	-1.0	-9.6	*	-3.7	16	-1	-6.6	9

According to the October 2008 Federal Reserve Payments Study: "The average value of check payments ranged from a low of \$1,226 in the Midwest to a high of \$1,646 in the Northeast. By contrast, the average value of debit card payments differed little across regions, ranging from a low of \$39 in the Midwest to a high of \$42 in the Northeast and West. For ATM withdrawals, the lowest average value was also in the Midwest, at \$95, and the highest was in the West, at \$104."²¹

The November 2008 FDIC Study of Bank Overdraft Programs indicated that "The median dollar amount of all 22.5 million transactions processed by the micro-data banks (study group) with automated overdraft programs was \$36. POS/debit NSF transactions were not only the most frequent, but also the

²¹ October 2008 Federal Reserve Payment Study, "Recent Payment Trends in the United States

smallest, with a median dollar value of \$20. The median transaction size of an ATM withdrawal and a check that resulted in an NSF transaction were \$60 and \$66, respectively."²² These low dollar amounts result in significant costs (if APR's were calculated) from 1,000% to over 3,500% based on amount and duration of the overdraft.²³

²² FDIC Study of Bank Overdraft Programs, November 2008, Executive Summary, Page V

²³ Assuming a \$27 overdraft fee (the survey median), a customer repaying a \$20 POS/debit overdraft in two weeks would incur an APR of 3,520 percent; a customer repaying a \$60 ATM overdraft in two weeks would incur an APR of 1,173 percent; and a customer repaying a \$66 check overdraft in two weeks would incur an APR of 1,067 percent. More rapid repayment of the overdraft amount results in higher APRs, and slower repayment results in lower APRs.²³ FDIC Study of Bank Overdraft Programs n November 2008, Executive Summary, Page V

State-by-State Findings and Analysis

At a state level, Bretton Woods calculated the NSF/ODP income and NSF/ODP Income per Households with bank accounts. While there are still anomalies in states such as Delaware, Nevada, South Dakota and Utah, due to how data is reported to the FDIC and NCUA, this is an attempt to reflect the differences at a state level from the national NSF cost.²⁴

The national annual NSF/ODP cost per household with checking accounts is approximately \$368. The chart below details the estimated amount of NSF/ODP fees, in millions, collected by credit unions and banks in individual states, as well as the average annual NSF/ODP cost per household with checking accounts in that state. California, as an example, falls just below the national average per household at \$366.05 spent annually on NSF/ODP fees. It is estimated that checking account holders paid more than \$4.07 billion in NSF/ODP fees in California in 2008. In total, Californians spend 0.6% of their median household income on NSF/ODP fees.

State Name	Adjusted NSF Income (000)	Adjusted NSF \$\$ /Banked HH	NSF per HH/Median HH Income
Alabama	409,142	256.64	0.6%
Alaska	72,999	335.72	0.5%
Arizona	420,375	198.75	0.4%
Arkansas	251,959	261.40	0.6%
California	4,076,267	366.05	0.6%
Colorado	444,300	263.70	0.4%
Connecticut	444,626	362.21	0.5%
Delaware	945,151	3,139.04	5.1%
District of Columbia	125,253	576.54	1.1%
Florida	2,032,228	307.75	0.6%
Georgia	984,996	315.91	0.6%
Hawaii	139,901	343.63	0.6%
Idaho	92,066	184.24	0.4%
Illinois	1,841,672	431.11	0.7%
Indiana	484,370	225.91	0.4%
Iowa	321,217	303.15	0.6%
Kansas	309,252	325.73	0.6%
Kentucky	344,106	230.44	0.5%

²⁴ Since FDIC and NCUA report data by the financial institution's headquarters, service charge income is skewed for certain states that headquarter large bank holding companies (e.g. North Carolina and New York). To adjust for this skewing, Bretton Woods obtained the deposits by state (FDIC reports these numbers based on the branches resident in the state) and calculated the ratio of states deposits to total deposits in the United States. This ratio was then applied to the service charge income to more reasonably determine the NSF/OD income and number of NSF items at the state level.

State Name	Adjusted NSF Income (000)	Adjusted NSF \$\$ /Banked HH	NSF per HH/Median HH Income
Louisiana	387,510	274.07	0.7%
Maine	104,363	212.26	0.5%
Maryland	516,306	268.88	0.4%
Massachusetts	990,372	442.95	0.6%
Michigan	840,206	243.59	0.4%
Minnesota	540,359	291.57	0.5%
Mississippi	242,906	261.14	0.7%
Missouri	591,715	288.56	0.6%
Montana	82,971	241.46	0.6%
Nebraska	207,609	331.49	0.7%
Nevada	1,067,694	1,216.43	2.1%
New Hampshire	122,848	263.85	0.4%
New Jersey	1,214,115	426.41	0.6%
New Mexico	119,193	180.11	0.4%
New York	4,056,216	658.92	1.1%
North Carolina	1,172,886	376.10	0.7%
North Dakota	81,801	357.35	0.8%
Ohio	1,217,497	306.31	0.6%
Oklahoma	336,619	276.52	0.6%
Oregon	262,722	197.58	0.4%
Pennsylvania	1,452,217	329.57	0.6%
Rhode Island	158,113	430.96	0.8%
South Carolina	355,638	235.98	0.5%
South Dakota	400,186	1,486.10	3.2%
Tennessee	559,913	263.78	0.6%
Texas	2,587,732	356.03	0.7%
Utah	1,225,540	1,636.63	2.7%
Vermont	53,167	235.67	0.4%
Virginia	1,070,789	400.36	0.6%
Washington	600,297	264.40	0.4%
West Virginia	143,695	216.86	0.6%
Wisconsin	613,695	310.96	0.6%
Wyoming	59,062	311.61	0.6%
	\$ 37,175,830	368.51	0.8%

Methodology

Bretton Woods analyzed the size and scope of the NSF/ODP market with the following methodology:

- The service charge/NSF income analysis was updated from 2006 to the 2008 numbers from the FDIC (Federal Deposit Insurance Corporation)²⁵ and NCUA (National Credit Union Administration)²⁶
- Claritas data of households and households with checking accounts by state²⁷
- ERIS data of households, population, median household income and per capita income²⁸
- United States Government Accountability Office
 - BANK FEES - Report to the Chairwoman, Subcommittee on Financial Institutions and Consumer Credit, Committee on Financial Services, House of Representatives January 2008
- Recent Payment Trends in the United States, Federal Reserve Bank, October, 2008
- FDIC Study of Bank Overdraft Programs, November 2008
- Bankrate.com 2008 bank product pricing survey

Since FDIC and NCUA report data by the financial institution's headquarters, service charge income is skewed for certain states that headquarter large bank holding companies (e.g. North Carolina and New York).

To adjust for this skewing, Bretton Woods obtained the deposits by state (FDIC reports these numbers based on the branches resident in the state) and calculated the ratio of states deposits to total deposits in the United States. This ratio was then applied to the service charge income to more reasonably determine the NSF/OD income and number of NSF items at the state level.

This data was then utilized to logically calculate the NSF/OD usage patterns in 2008.

²⁵FDIC website, <http://www2.fdic.gov/sdi/main.asp>

²⁶NCUA website, <http://ncua.gov/IndexCUQuery.htm>

²⁷ Claritas data ordered and initially analyzed by Capital Performance Group, Washington, DC under contract to Bretton Woods, Inc.

²⁸ ESRI - Provider of GIS (geographic information system) modeling and mapping software and technology) data ordered and initially analyzed by Capital Performance Group, Washington, DC under contract to Bretton Woods, Inc.

Appendices

Data

The following data and calculations are the basis for this paper's NSF/ODP analysis. The data sources are FDIC, Statistics on Depository Institutions, NCUA data for credit union statistics in the United States for 2008; Bankrate.com, ESRI and Claritas.

Financial Institution and Household Data

- 8,976 - 2004 Financial Institutions (*FDIC Data*)
- 8,832 - 2005 Financial Institutions (*FDIC Data*)
- 8,743 - 2006 Financial Institutions (*FDIC Data*)
- 8,834 - 2008 Financial Institutions (*FDIC Data*)
- 9,014 - 2004 Credit Unions (*NCUA Data*)
- 8,695 - 2005 Credit Unions (*NCUA Data*)
- 7,904 - 2008 Credit Unions (*NCUA Data*)
- 16,738 - 2008 Total Financial Institutions (Banks and Credit Unions)
- 93.3 billion payment transactions (*October 2008 Federal Reserve Bulletin*)
- 114.7 million US households - (*2008 Claritas estimate*)
- 116.4 million US households (*ESRI 2008 estimate*)
- 88.0% of US households with checking accounts - (*Claritas data*)
- 100.9 million households with checking accounts (*Claritas data*)

Financial Data

Banks

- \$32.8 billion - 2004 service charge income (*FDIC Data*)
- \$34.5 billion - 2005 service charge income (*FDIC Data*)
- \$36.4 billion - September 2006 annualized service charge income (*FDIC Data*)
- \$42.8 billion - September 2008 annualized service charge income (*FDIC Data*)

Credit Unions

- \$4.9 billion - 2004 fee income (*NCUA Data*)
- \$5.5 billion - 2005 fee income (*NCUA Data*)
- \$5.9 billion - September 2006 annualized service charge income (*NCUA Data*)
- \$6.9 billion - September 2008 annualized service charge income (*NCUA Data*)

Total

- \$37.7 billion - 2004 service charge income
- \$40.0 billion - 2005 service charge income

- \$42.3 billion – September 2006 annualized service charge income
- \$49.7 billion – September 2008 annualized service charge income

NSF Fee Survey

- Average NSF = \$25.81 (Bankrate.com 2004 survey)
- Average NSF = \$27.40 (Bankrate.com 2006 survey)
- Average NSF = \$28.95 (Bankrate.com 2008 survey)

Table 1 - National Analysis

	2008 Annualized	12/31/2007	12/31/2006	12/31/2005	% Change 2005 - 2008
BANKS & THRIFTS (FDIC and SNL Data)					
Number of bank and thrift institutions reporting	8384	8534	8680	8833	-5.1%
Total Assets	13,573,690,846	13,034,101,616	11,861,518,573	10,878,260,666	
Service charges on deposit accounts	\$ 42,794,784	\$ 39,219,428	\$ 36,299,831	\$ 34,450,355	
SC/Assets	0.32%	0.30%	0.31%	0.32%	
Bank NSF/OD Income	74% \$ 31,668,140	\$ 29,022,377	\$ 26,861,875	\$ 25,493,263	24.2%
<i>74% Source: FDIC</i>					
CREDIT UNIONS (NCUA and SNL Data)					
Number of credit unions reporting	7904	8101	8743	8832	-10.5%
Fee Income	\$ 6,884,784	\$ 6,382,973	\$ 5,905,248	\$ 5,463,709	
Credit Union NSF/OD Income	80% \$ 5,507,827	\$ 5,106,378	\$ 4,724,198	\$ 4,370,967	26.0%
<i>80% Source: Bretton Woods, Inc. Estimate</i>					
TOTAL NSF/OD INCOME	\$ 37,175,967	\$ 34,128,755	\$ 31,586,073	\$ 29,864,230	24.5%
Average NSF Fee (Bankrate.com)	\$ 28.95	\$ 28.23	\$ 27.40	\$ 27.04	7.1%
Number of Occurances (000's) (Fees/Unit Average)	1,284,144	1,208,953	1,152,776	1,104,446	16.3%
Number of Households (000's) (ESRI)	116,385	112,378	111,617	111,091	4.8%
Population (000's) (ESRI)	309,299	301,621	299,398	295,896	4.5%
HH/Population	2.7	2.7	2.7	2.7	
NSF/HH	11.0	10.8	10.3	9.9	
Per Capita NSF	4.2	4.0	3.9	3.7	
Number of Households with Bank Accounts (000's) (For 2008 The Pew Charitable Trusts estimates 102 million; Claritas estimates 101 million. For 2006 Claritas estimates 99.3 million)	101,000		99,300		
NSF/Banked HH	12.7		11.6		
Active NSF Households (20% of banked households)	20,200		19,860		
Total NSF/OD fees per active banked household (80%)	\$ 29,740,774		\$ 25,268,859		
NSF's/OD's per active banking household	50.9		46.4		
NSF/OD fees per active household	\$ 1,472		\$ 1,272		

Table 2 - State Analysis

State Name	Claritas Demographics			ESRI Demographics				SNL Data	
	Total HH	Total DDA HH	Usage Rate	Total HH 2008	Total Pop	Med HH Inc	Per Capita Inc	Bank SC Inc (000)	CU Fee Inc (000)
Alabama	1,859,096	1,594,203	85.8%	1,875,310	4,692,977	40,844	21,522	1,068,656	156,869
Alaska	242,687	217,439	89.6%	243,689	689,791	65,336	29,612	10,677	62,876
Arizona	2,374,996	2,115,105	89.1%	2,423,965	6,630,722	55,268	27,073	4,703	166,713
Arkansas	1,129,118	963,874	85.4%	1,148,089	2,910,777	42,682	22,261	279,628	12,895
California	12,588,862	11,135,942	88.5%	12,638,663	37,873,407	61,779	29,536	4,235,023	874,000
Colorado	1,877,779	1,684,900	89.7%	1,906,591	4,962,478	62,469	31,359	129,021	97,064
Connecticut	1,353,564	1,227,525	90.7%	1,360,609	3,550,231	70,814	37,850	160,457	47,345
Delaware	334,883	301,096	89.9%	339,104	885,956	61,724	30,597	191,475	12,316
District of Columbia	257,819	217,249	84.3%	260,214	589,366	51,465	36,074	4,291	31,307
Florida	7,398,258	6,603,560	89.3%	7,589,539	19,119,225	50,509	27,867	239,016	497,733
Georgia	3,548,295	3,117,941	87.9%	3,623,559	9,863,250	56,752	28,031	1,316,117	136,079
Hawaii	442,274	407,130	92.1%	446,140	1,312,372	61,536	27,798	320,436	36,132
Idaho	556,843	499,716	89.7%	572,240	1,549,062	50,441	23,568	14,828	34,197
Illinois	4,786,787	4,271,978	89.2%	4,867,193	13,177,638	60,783	29,719	810,112	161,036
Indiana	2,484,730	2,144,103	86.3%	2,527,488	6,468,433	54,070	26,730	268,813	158,904
Iowa	1,200,922	1,059,613	88.2%	1,226,434	3,042,015	50,594	25,818	155,164	57,649
Kansas	1,082,385	949,401	87.7%	1,101,212	2,828,255	52,649	26,730	193,516	49,412
Kentucky	1,718,125	1,493,243	86.9%	1,730,825	4,295,044	44,142	24,005	240,308	54,071
Louisiana	1,660,624	1,413,885	85.1%	1,683,990	4,500,627	38,063	19,416	207,857	91,617
Maine	559,364	491,677	87.9%	564,014	1,349,506	46,634	25,175	381,011	37,597
Maryland	2,144,808	1,920,212	89.5%	2,149,822	5,743,662	67,211	33,763	142,217	145,851
Massachusetts	2,502,147	2,235,856	89.4%	2,523,144	6,518,184	68,176	35,936	233,855	125,685
Michigan	3,916,061	3,449,220	88.1%	3,986,445	10,314,853	55,744	27,648	190,503	319,403
Minnesota	2,040,608	1,853,267	90.8%	2,099,737	5,357,700	62,757	31,884	2,067,069	94,964
Mississippi	1,097,900	930,169	84.7%	1,127,406	2,986,953	36,322	18,515	367,968	51,271
Missouri	2,349,919	2,050,603	87.3%	2,364,913	5,977,318	49,466	25,912	642,503	96,588
Montana	385,847	343,619	89.1%	387,240	965,024	40,864	21,305	79,615	21,204
Nebraska	702,723	626,286	89.1%	716,064	1,814,105	50,896	25,567	99,489	27,889
Nevada	980,068	877,730	89.6%	1,027,458	2,730,425	58,099	28,109	11,324	59,743
New Hampshire	518,560	465,604	89.8%	520,729	1,343,347	63,147	31,556	15,199	29,001
New Jersey	3,199,900	2,847,277	89.0%	3,234,550	8,890,186	72,646	36,182	100,289	67,340
New Mexico	755,993	661,787	87.5%	776,194	2,029,633	44,678	23,081	48,937	52,023
New York	7,204,492	6,155,831	85.4%	7,270,269	19,554,879	58,692	30,627	5,107,671	251,116
North Carolina	3,573,460	3,118,577	87.3%	3,649,166	9,231,191	51,411	26,823	14,829,525	213,701
North Dakota	263,107	228,907	87.0%	275,888	652,934	45,928	24,419	26,333	12,668
Ohio	4,573,875	3,974,711	86.9%	4,630,430	11,633,295	52,391	27,304	2,513,993	187,469
Oklahoma	1,421,631	1,217,355	85.6%	1,445,506	3,672,886	43,687	22,983	392,345	86,609
Oregon	1,480,382	1,329,683	89.8%	1,484,798	3,814,725	53,474	27,198	74,115	87,540
Pennsylvania	4,916,414	4,406,340	89.6%	4,973,714	12,631,267	53,220	27,722	990,519	174,032
Rhode Island	416,379	366,885	88.1%	417,480	1,078,084	54,853	27,952	736,057	24,496
South Carolina	1,734,072	1,507,044	86.9%	1,766,108	4,479,461	48,173	24,949	172,375	144,327
South Dakota	308,611	269,286	87.3%	320,980	809,862	46,839	23,516	40,549	17,048
Tennessee	2,454,617	2,122,620	86.5%	2,494,413	6,244,163	47,768	25,536	387,444	153,429
Texas	8,469,530	7,268,214	85.8%	8,644,615	24,627,546	52,394	25,417	1,841,560	694,283
Utah	835,538	748,820	89.6%	847,033	2,677,229	60,277	23,870	250,521	145,183
Vermont	254,932	225,602	88.5%	260,296	636,472	54,204	28,084	13,376	18,009
Virginia	3,003,153	2,674,563	89.1%	3,033,512	7,899,205	61,817	31,784	502,296	382,252
Washington	2,526,352	2,270,399	89.9%	2,565,703	6,628,203	60,823	30,235	145,476	253,679
West Virginia	762,655	662,604	86.9%	768,688	1,836,864	37,092	21,094	133,311	18,208
Wisconsin	2,233,105	1,973,525	88.4%	2,280,012	5,701,620	56,306	28,037	397,855	138,459
Wyoming	209,951	189,537	90.3%	213,573	526,857	48,915	25,180	9,385	15,329
TOTAL	114,694,201	100,881,713	88.0%	116,384,754	309,299,265	44,334		\$ 42,794,784	\$ 6,884,612

Updated NSF/ODP Fee Analysis Report
January 9, 2009

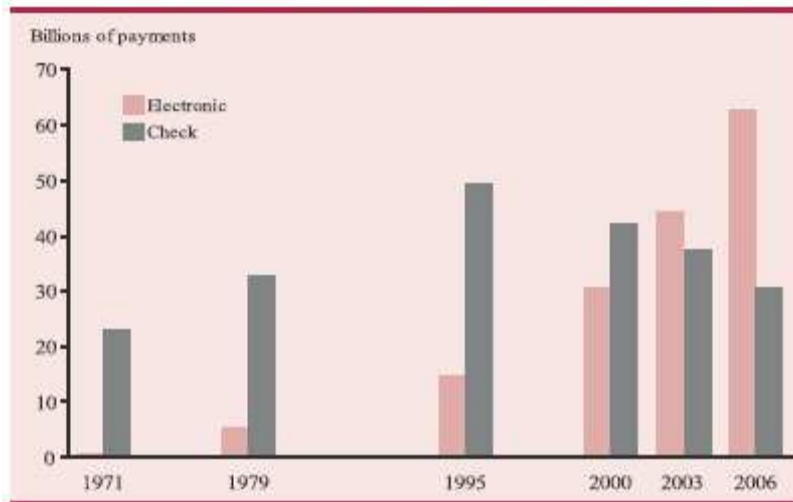
State Name	Calculated Data				Adjusted Calculations				
	Bank NSF (000) (74%)	CU NSF(000) (80%)	TOTAL NSF (000)	NSF \$\$ /Banked HH	Total Deposits (000)	% of Total	Adjusted NSF Income (000)	Adjusted NSF \$\$ /Banked HH	NSF per HH/Medi an HH Income
Alabama	790,805	125,495	916,301	574.77	76,561,000	1.1%	409,142	256.64	0.6%
Alaska	7,901	50,301	58,202	267.67	13,660,000	0.2%	72,999	335.72	0.5%
Arizona	3,480	133,371	136,851	64.70	78,663,000	1.1%	420,375	198.75	0.4%
Arkansas	206,925	10,316	217,240	225.38	47,148,000	0.7%	251,959	261.40	0.6%
California	3,133,917	699,200	3,833,117	344.21	762,774,000	11.0%	4,076,267	366.05	0.6%
Colorado	95,476	77,651	173,127	102.75	83,140,000	1.2%	444,300	263.70	0.4%
Connecticut	118,738	37,876	156,615	127.59	83,201,000	1.2%	444,626	362.21	0.5%
Delaware	141,691	9,853	151,544	503.31	176,862,000	2.5%	945,151	3,139.04	5.1%
District of Columbia	3,175	25,045	28,220	129.90	23,438,000	0.3%	125,253	576.54	1.1%
Florida	176,872	398,187	575,059	87.08	380,282,000	5.5%	2,032,228	307.75	0.6%
Georgia	973,927	108,863	1,082,790	347.28	184,318,000	2.6%	984,996	315.91	0.6%
Hawaii	237,123	28,906	266,028	653.42	26,179,000	0.4%	139,901	343.63	0.6%
Idaho	10,973	27,358	38,331	76.70	17,228,000	0.2%	92,066	184.24	0.4%
Illinois	599,483	128,829	728,312	170.49	344,624,000	5.0%	1,841,672	431.11	0.7%
Indiana	198,922	127,123	326,045	152.07	90,638,000	1.3%	484,370	225.91	0.4%
Iowa	114,821	46,119	160,941	151.89	60,108,000	0.9%	321,217	303.15	0.6%
Kansas	143,202	39,530	182,731	192.47	57,869,000	0.8%	309,252	325.73	0.6%
Kentucky	177,828	43,257	221,084	148.06	64,391,000	0.9%	344,106	230.44	0.5%
Louisiana	153,814	73,294	227,108	160.63	72,513,000	1.0%	387,510	274.07	0.7%
Maine	281,948	30,078	312,026	634.62	19,529,000	0.3%	104,363	212.26	0.5%
Maryland	105,241	116,681	221,921	115.57	96,614,000	1.4%	516,306	268.88	0.4%
Massachusetts	173,052	100,548	273,601	122.37	185,324,000	2.7%	990,372	442.95	0.6%
Michigan	140,972	255,522	396,494	114.95	157,224,000	2.3%	840,206	243.59	0.4%
Minnesota	1,529,631	75,971	1,605,603	866.36	101,115,000	1.5%	540,359	291.57	0.5%
Mississippi	272,296	41,017	313,313	336.83	45,454,000	0.7%	242,906	261.14	0.7%
Missouri	475,452	77,270	552,722	269.54	110,725,000	1.6%	591,715	288.56	0.6%
Montana	58,915	16,963	75,878	220.82	15,526,000	0.2%	82,971	241.46	0.6%
Nebraska	73,622	22,311	95,934	153.18	38,849,000	0.6%	207,609	331.49	0.7%
Nevada	8,380	47,794	56,174	64.00	199,793,000	2.9%	1,067,694	1,216.43	2.1%
New Hampshire	11,247	23,201	34,448	73.99	22,988,000	0.3%	122,848	263.85	0.4%
New Jersey	74,214	53,872	128,086	44.99	227,192,000	3.3%	1,214,115	426.41	0.6%
New Mexico	36,214	41,618	77,832	117.61	22,304,000	0.3%	119,193	180.11	0.4%
New York	3,779,676	200,893	3,980,569	646.63	759,022,000	10.9%	4,056,216	658.92	1.1%
North Carolina	10,973,849	170,961	11,144,810	3,573.68	219,477,000	3.2%	1,172,886	376.10	0.7%
North Dakota	19,487	10,134	29,621	129.40	15,307,000	0.2%	81,801	357.35	0.8%
Ohio	1,860,355	149,975	2,010,331	505.78	227,825,000	3.3%	1,217,497	306.31	0.6%
Oklahoma	290,336	69,287	359,623	295.41	62,990,000	0.9%	336,619	276.52	0.6%
Oregon	54,845	70,032	124,877	93.91	49,162,000	0.7%	262,722	197.58	0.4%
Pennsylvania	732,984	139,226	872,209	197.94	271,747,000	3.9%	1,452,217	329.57	0.6%
Rhode Island	544,682	19,597	564,279	1,538.03	29,587,000	0.4%	158,113	430.96	0.8%
South Carolina	127,557	115,461	243,019	161.26	66,549,000	1.0%	355,638	235.98	0.5%
South Dakota	30,007	13,638	43,645	162.08	74,885,000	1.1%	400,186	1,486.10	3.2%
Tennessee	286,709	122,743	409,452	192.90	104,774,000	1.5%	559,913	263.78	0.6%
Texas	1,362,754	555,426	1,918,181	263.91	484,231,000	7.0%	2,587,732	356.03	0.7%
Utah	185,386	116,146	301,532	402.68	229,330,000	3.3%	1,225,540	1,636.63	2.7%
Vermont	9,898	14,407	24,306	107.74	9,949,000	0.1%	53,167	235.67	0.4%
Virginia	371,699	305,802	677,501	253.31	200,372,000	2.9%	1,070,789	400.36	0.6%
Washington	107,652	202,943	310,595	136.80	112,331,000	1.6%	600,297	264.40	0.4%
West Virginia	98,650	14,566	113,216	170.87	26,889,000	0.4%	143,695	216.86	0.6%
Wisconsin	294,412	110,767	405,179	205.31	114,838,000	1.7%	613,695	310.96	0.6%
Wyoming	6,945	12,263	19,209	101.34	11,052,000	0.2%	59,062	311.61	0.6%
TOTAL	\$ 31,668,140	\$ 5,507,690	\$ 37,175,830	368.51	\$ 6,956,551,000	100.0%	\$ 37,175,830	368.51	0.8%

Table 3 - Federal Reserve Data, October 2008

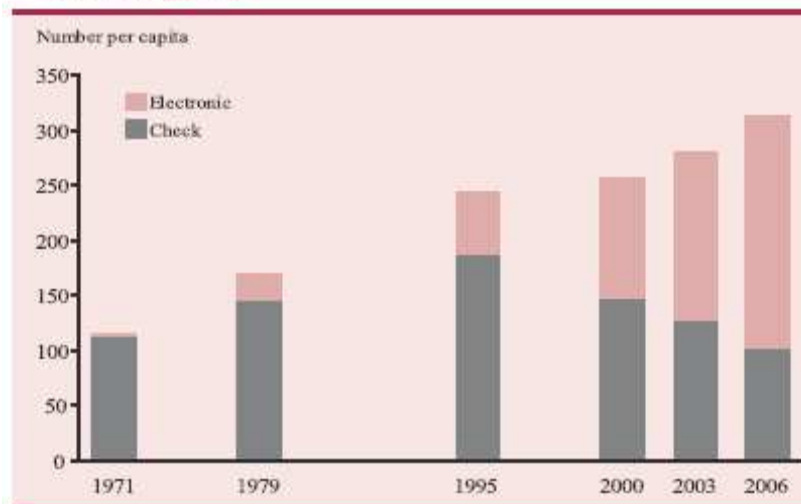
	Billions of payments	Percent of total	Trillions of dollars	Percent of total	Average, in dollars	Trillions of dollars	Percent of total	Average, in dollars
2003								
Check ¹	37.3	45.8	41.1	60.9	1,103	45.1	60.9	1,209
Electronic	44.1	54.2	26.5	39.1	599	29.0	39.1	656
Debit card	15.6	19.2	.6	.9	40	.7	.9	44
Signature	10.3	12.6	.4	.6	42	.5	.6	46
PIN	5.3	6.6	.2	.3	38	.2	.3	42
Credit card	19.0	23.3	1.7	2.5	89	1.9	2.5	98
General-purpose ²	15.2	18.7	1.4	2.1	93	1.5	2.1	102
Private-label ³	3.8	4.6	.3	.4	76	.3	.4	83
ACH ⁴	8.8	10.7	24.1	35.7	2,754	26.4	35.7	3,017
Retail	7.3	9.0	8.1	12.0	1,106	8.9	12.0	1,211
CCD	1.4	1.7	16.0	23.7	11,272	17.5	23.7	12,348
EBT ⁵ .....	.8	1.0	*	*	26	*	*	29
Total noncash payments	81.4	100.0	67.6	100.0	830	74.1	100.0	909
MEMO								
Total checks written ⁶	37.6	46.2	41.2	61.0	1,095	45.1	61.0	1,200
Checks converted to ACH .....	.3	.4	.1	.1	187	.1	.1	205
2006								
Check ¹	30.5	32.7	41.6	54.9	1,363	41.6	54.9	1,363
Electronic	62.8	67.3	34.2	45.1	544	34.2	45.1	544
Debit card	25.3	27.1	1.0	1.3	39	1.0	1.3	39
Signature	16.0	17.1	.6	.8	40	.6	.8	40
PIN	9.4	10.0	.3	.5	37	.3	.5	37
Credit card	21.7	23.3	2.1	2.8	98	2.1	2.8	98
General-purpose ²	19.0	20.3	1.9	2.5	99	1.9	2.5	99
Private-label ³	2.8	3.0	.3	.3	92	.3	.3	92
ACH ⁴	14.6	15.7	31.0	40.9	2,121	31.0	40.9	2,121
Retail	12.6	13.5	12.1	16.0	959	12.1	16.0	959
CCD	2.0	2.2	18.9	25.0	9,384	18.9	25.0	9,384
EBT ⁵	1.1	1.2	*	*	27	*	*	27
Total noncash payments	93.3	100.0	75.8	100.0	812	75.8	100.0	812
MEMO								
Total checks written ⁶	33.1	35.5	42.3	55.8	1,277	42.3	55.8	1,277
Checks converted to ACH	2.6	2.8	.7	.9	267	.7	.9	267
	Number		Value					
			Nominal		Constant 2006 dollars			
	Change over period (billions of payments)	Annual rate of change (percent) ⁷	Change over period (trillions of dollars)	Annual rate of change (percent) ⁷	Change in average over period (dollars)	Change over period (trillions of dollars)	Annual rate of change (percent) ⁷	Change in average over period (dollars)
<i>Change, 2003 to 2006</i>								
Check	-6.8	-6.5	.5	.4	259	-3.5	-2.6	154
Electronic	18.6	12.5	7.7	8.9	-55	5.2	5.6	-112
Debit card	9.7	17.5	.4	16.0	-2	.3	12.6	-5
Signature	5.7	15.8	.2	14.3	-2	.2	10.9	-6
PIN	4.0	20.6	.1	19.5	-1	.1	15.9	-5
Credit card	2.8	4.6	.4	7.8	8	.3	4.6	*
General-purpose	3.7	7.6	.5	9.9	6	.3	6.6	-3
Private-label	-1.0	-9.6	*	-3.7	16	-1	-6.6	9

Graphs – Payments Evolution

1. Noncash payments in the United States, selected years



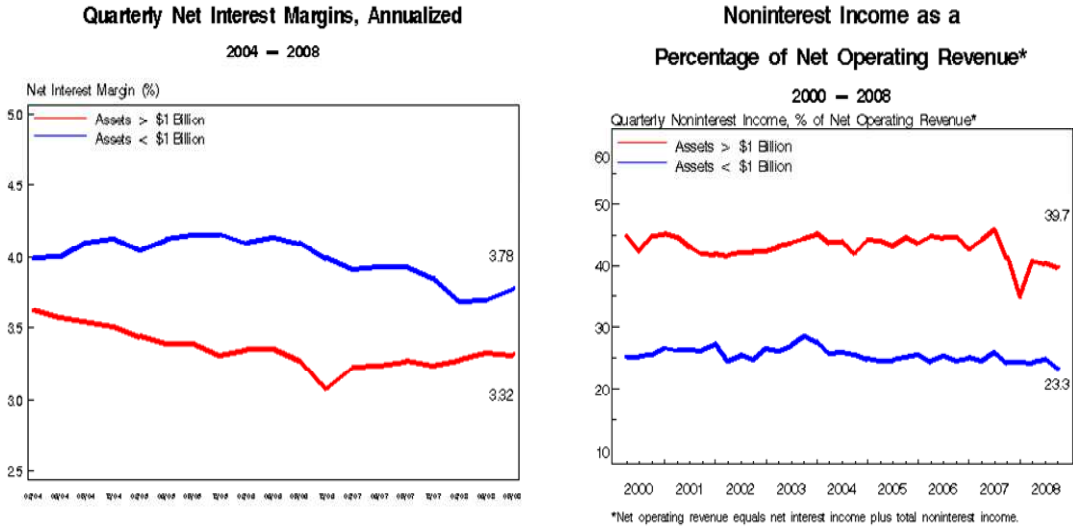
2. Noncash payments per capita in the United States, selected years



Source: Recent Payment Trends in the United States, Federal Reserve Bank, October, 2008

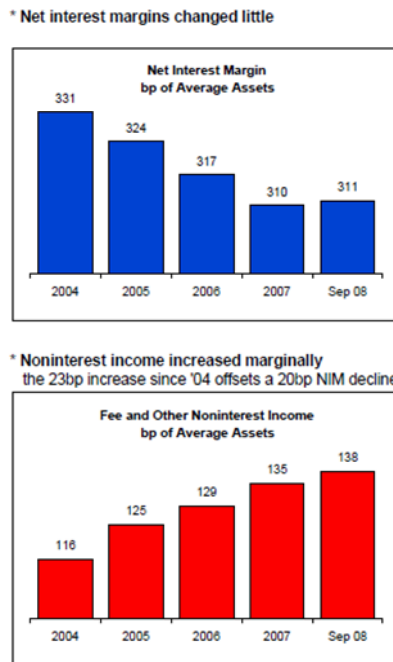
Graphs - Fees vs. Net Interest Margin

Bank Interest Margin vs. Fee Income



Source: FDIC

Credit Union Interest Margin vs. Fee Income



Source: NCUA