

Point of order lines banks' vaults

Institutions have made billions charging for overdrafts. And the order in which the bank processes transactions can multiply your penalty.

By David Migoya *The Denver Post*

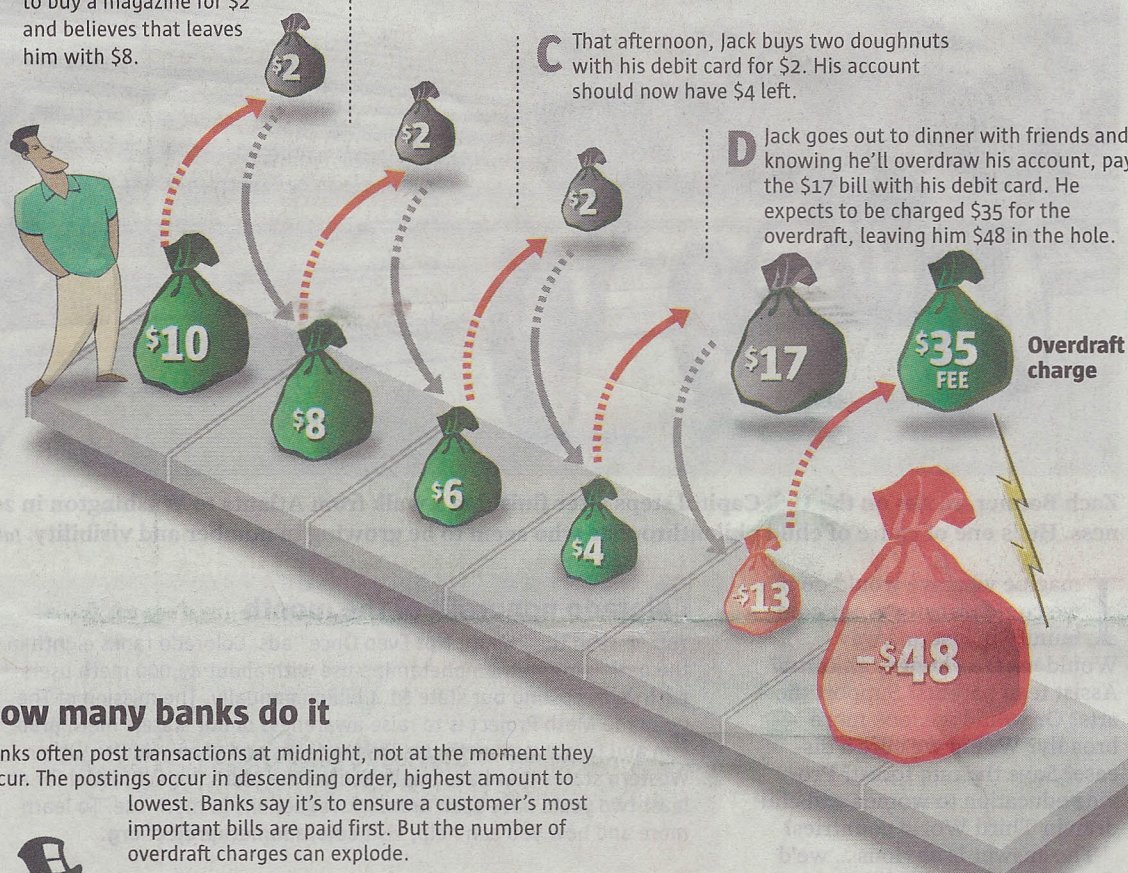
How consumers think transactions work

A Jack starts his day with \$10 in the bank. He uses a debit card to buy a magazine for \$2 and believes that leaves him with \$8.

B Jack uses his debit card to buy a \$2 cup of coffee and believes his balance is now \$6.

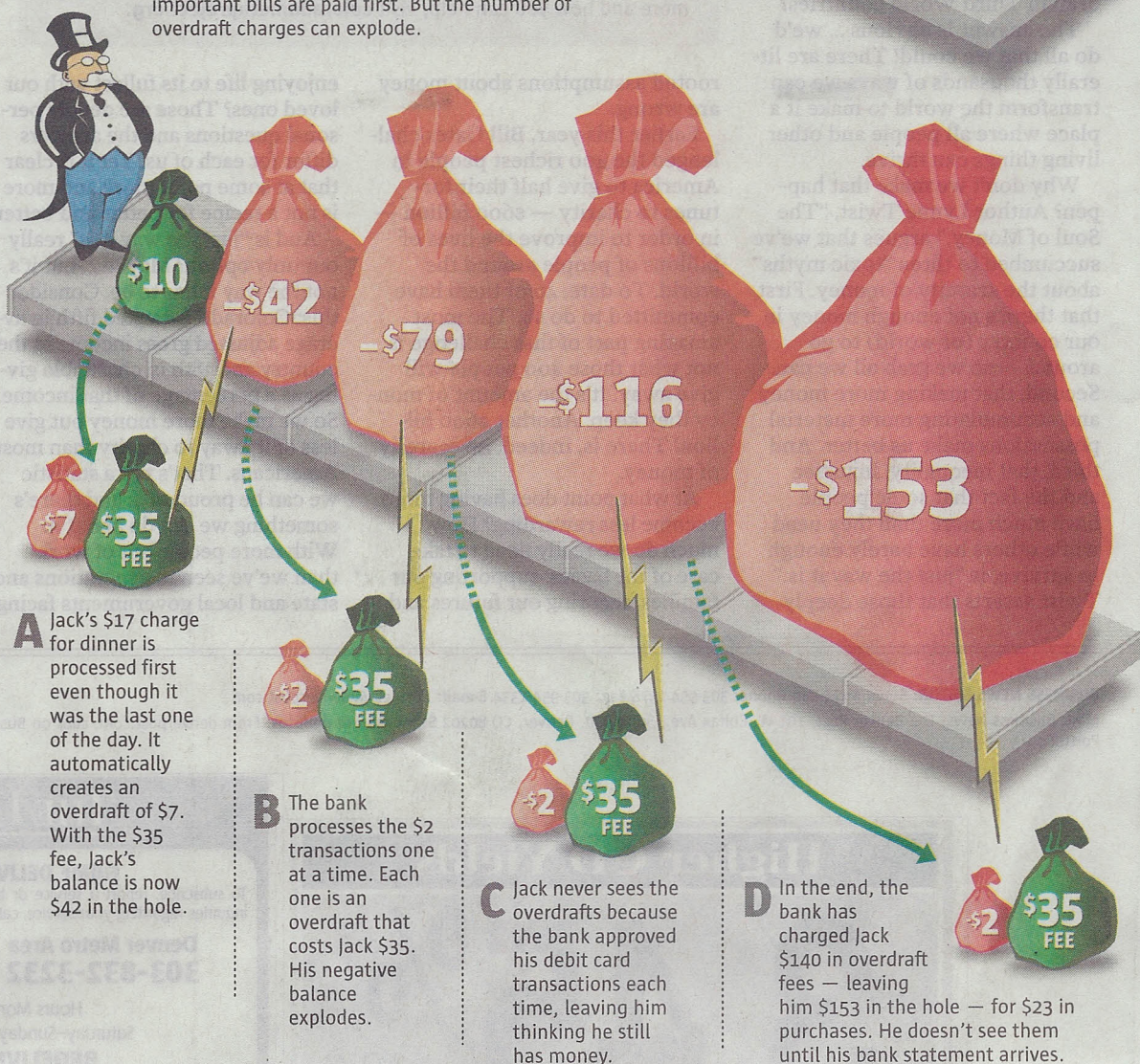
C That afternoon, Jack buys two doughnuts with his debit card for \$2. His account should now have \$4 left.

D Jack goes out to dinner with friends and, knowing he'll overdraw his account, pays the \$17 bill with his debit card. He expects to be charged \$35 for the overdraft, leaving him \$48 in the hole.



How many banks do it

Banks often post transactions at midnight, not at the moment they occur. The postings occur in descending order, highest amount to lowest. Banks say it's to ensure a customer's most important bills are paid first. But the number of overdraft charges can explode.



A Jack's \$17 charge for dinner is processed first even though it was the last one of the day. It automatically creates an overdraft of \$7. With the \$35 fee, Jack's balance is now \$42 in the hole.

B The bank processes the \$2 transactions one at a time. Each one is an overdraft that costs Jack \$35. His negative balance explodes.

C Jack never sees the overdrafts because the bank approved his debit card transactions each time, leaving him thinking he still has money.

D In the end, the bank has charged Jack \$140 in overdraft fees — leaving him \$153 in the hole — for \$23 in purchases. He doesn't see them until his bank statement arrives.

Source: Denver Post research

Severiano Galván and Jeff Goertzen, *The Denver Post*