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DECISION
ESTABLISHING CERTAIN MAXIMUM DISHONORED
CHECK FEES AT MASSACHUSETTS
STATE-CHARTERED INSTITUTIONS
APRIL 4, 2014

This decision establishes the maximum allowable fee Massachusetts state-chartered banks and credit unions may assess certain consumer deposit accounts for processing dishonored checks, otherwise referred to as deposit return items ("DRI"), under Massachusetts General Laws chapter 167D, section 3 and Massachusetts General Laws chapter 171, section 41A.¹ The maximum fee set by this decision shall remain in effect from April 30, 2014 to April 30, 2015, or until such time as the Division issues its 2015 DRI fee decision.

2014 DRI Determination

The 2014 dishonored check or DRI fee is based upon deposit return item cost data independently obtained from a sample of state-chartered banks and credit unions. The Division of Banks (Division) collected these data during the course of its regularly scheduled financial safety and soundness examinations under G. L. c.167, s.2. The sample of institutions reasonably reflects industry differences in asset size, charter type, geographical location, and DRI processing procedures. The Division used three years of DRI

¹ These statutes govern the consumer deposit accounts of state-chartered banks and credit unions, respectively. The statutes were inserted by St. 1997, c.178, ss.1-2. The provisions are substantially identical. Section 1 of the Act provides in pertinent part: "... no bank [or credit union] shall assess any fee, charge or other assessment against any account, established for personal, family or household purposes, of a depositor, who as the payee of a check, draft or money order, of which the payee is not also the maker, deposits the same therein and payment on any such instrument is refused by the depository institution upon which it is drawn because of insufficient funds or because the maker thereof did not have an account at such depository institution; *provided, further, that a bank [or credit union] may assess a reasonable fee, charge or assessment that represents its direct costs, as established annually by the commissioner of banks, incurred for processing such, draft or money order.*" (Emphasis supplied.)

cost data to determine the maximum allowable fee under Massachusetts General Laws chapter 167D, section 3 and Massachusetts General Laws chapter 171, section 41A. The data collected from the Division's examination sampling process is summarized below.


A total of 53 institutions were surveyed. This sample included 29 banks and 24 credit unions². The cost of processing deposit returned items ranged from \$1.83 to \$20.67 per item. The average cost to process a deposit return item was \$6.87 for banks and credit unions combined. Banks had an average cost of \$5.95 and credit unions had an average cost of \$7.97. The time for processing a DRI ranged from 2 to 44 minutes and the median cost of all institutions was \$5.67 per item.

Conclusion

Survey results indicate Massachusetts state-chartered banks and credit unions have incurred a de minimis change in the cost to process a DRI item since the Division's prior decision dated December 19, 2012. As a result, the maximum allowable fee Massachusetts state-chartered banks and credit unions may assess certain consumer deposit accounts for processing dishonored checks or DRI items under Massachusetts General Laws chapter 167D, section 3 and Massachusetts General Laws chapter 171, section 41A, respectively, will remain unchanged from 2012 at \$5.71. This fee determination shall be in effect from April 30, 2014 to April 30, 2015 or until such time as the Division issues its 2015 DRI fee decision.

State-chartered institutions are advised that the above DRI fee is the maximum fee permitted by law. Institutions, however, may elect to impose a lower DRI fee or to waive the fee for their customers.

April 4, 2014



David J. Cotney
Commissioner of Banks

² The list of institutions surveyed includes 9 co-operative banks, 16 savings banks, 4 commercial banks, and 24 credit unions. Asset sizes of all the institutions surveyed ranged from \$3 million to nearly \$8 billion. The total assets of all the institutions were \$39 billion. The survey was conducted during regularly scheduled safety and soundness examinations conducted over the past three years. Institutions selected were done so solely on the basis of examination scheduling. As a result, the components of the sample are randomly derived and are not necessarily a representative sample of all institutions. The examiners independently collected the information after discussing the particular institution's DRI practices and procedures with relevant institution personnel. All collected data was reviewed for reasonableness.