

THE COMMONWEALTH OF MASSACHUSETTS
DIVISION OF BANKS

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DECISION
ESTABLISHING CERTAIN MAXIMUM DISHONORED
CHECK FEES AT MASSACHUSETTS
STATE-CHARTERED INSTITUTIONS
MAY 3, 2016

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 6 and Massachusetts General Laws chapter 171, section 41A.¹ The maximum fee set by this decision shall remain in effect from June 1, 2016 to June 1, 2017, or until such time as the Division issues its 2017 DRI fee decision.

2016 DRI Determination

The 2016 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 this 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 cost data to determine the maximum allowable fee under Massachusetts General Laws chapter 167D,

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 as amended by St. 2014, c.482, s.35. The provisions are substantially identical. Addressing the actual costs incurred by a bank or credit union for processing a dishonored check, the act provides in pertinent part, *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 check, draft or money order.*" (Emphasis supplied.)

section 6 and Massachusetts General Laws chapter 171, section 41A. The data collected from the Division's examination sampling process is summarized below.

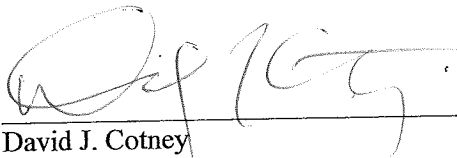
A total of 75 institutions were surveyed. This sample included 38 banks and 37 credit unions.² The cost of processing deposit returned items ranged from \$1.21 to \$30.38 per item. The average cost to process a deposit return item was \$8.35 for banks and credit unions combined. Banks had an average cost of \$7.41 and credit unions had an average cost of \$9.32. The time for processing a DRI ranged from 2 to 80 minutes and the median cost of all institutions was \$7.17 per item.

Conclusion

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 6 and Massachusetts General Laws chapter 171, section 41A, respectively, shall be \$7.17. This fee determination shall be in effect from June 1, 2016 to June 1, 2017, or until such time as the Division issues its 2017 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.

May 3, 2016



David J. Cotney
Commissioner of Banks

² The list of institutions surveyed includes 13 cooperative banks, 20 savings banks, 5 commercial banks, and 37 credit unions. Asset sizes of all the institutions surveyed ranged from \$12 million to \$4 billion. The total assets of all the institutions were approximately \$47 billion. The survey was conducted during regular safety and soundness examinations conducted over the past three years, between January 1, 2013 and December 31, 2015. 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.