

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-243

December 28, 1981

CHANGE IN COMPUTATION OF
MONETARY CHARGES FOR OVERDRAFTS
IN RESERVE ACCOUNTS AND CLEARING ACCOUNTS

TO THE DEPOSITORY INSTITUTION ADDRESSED
IN THE ELEVENTH FEDERAL RESERVE DISTRICT:

Reference is made to Circular No. 81-209 dated October 29, 1981 concerning monetary charges for overdrafts which included a statement of this Bank's internal guidelines on overdrafts. Within those guidelines, it was noted that the method of calculation of the monetary charge is factored by the actual number of days in the year (365 days or 366 days for leap year). Effective January 1, 1982, the calculation of the monetary charge will be factored by the 360-days method in order to achieve uniformity throughout the Federal Reserve System. The 360 days method will be applied to the computation of both the market-rate-based charge and the ten-percent charge.

Printed on the reverse of this circular is a revised statement of general guidelines.

Questions regarding this policy should be directed to Thomas H. Rust of this Bank, Ext. 6333, William L. Wilson, El Paso Branch, (915) 544-4730; C. O. Holt, Jr., Houston Branch, (713) 659-4433; or Tony G. Valencia, San Antonio Branch, (512) 224-2141.

Additional copies of this circular will be furnished upon request to the Department of Communications, Financial and Community Affairs, Ext. 6289.

Sincerely yours,



William H. Wallace
First Vice President

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

GENERAL GUIDELINES FOR THE
WAIVER OR IMPOSITION OF CHARGES ON OVERDRAFTS

Overdrafts (negative balances) in reserve accounts and clearing accounts maintained with this Bank place the Bank in the position of making inadvertent extensions of credit which are improperly secured. In order to discourage overdrafts in accounts it maintains, effective January 1, 1982 the Federal Reserve Bank of Dallas will impose monetary charges on overdrawn accounts in accordance with the following policy:

- Each overdrawn account for which a charge is not waived will be assessed a monetary charge calculated at a rate of ten percentage points or two percentage points above the effective Federal funds rate on the date of the occurrence of each overdraft [charge per day = (a) $(.10 \times \text{overdraft amount})/360$, or (b) $(\text{effective Federal funds rate plus two percentage points} \times \text{overdraft amount})/360$], whichever is greater, except that no charge shall be less than \$50.
- Overdrafts will be reviewed on a case-by-case basis and charges may be waived in consideration of the frequency of overdrafts and the circumstances involved. (The history of overdrafts prior to November 1, 1979 will not be considered in determining the imposition or waiver of charges.)
- A multiple-day overdraft extending over a weekend or bank holiday may be considered as one occurrence; however, depending upon the individual situation, a multiple-day overdraft may incur an overdraft charge for each day that the overdraft is outstanding at the discretion of this Bank. In addition, a multi-day rate for multiple-day overdrafts may be assessed if circumstances warrant. Moreover, for an account holder with zero reserve requirements and those maintaining vault cash in amounts sufficient to more than meet their reserve requirements, the charge will be assessed for each day that the negative balance is outstanding to insure that such institutions do not gain from overdrafts.
- A negative balance in a reserve account and clearing account that is attributable to an error by a Federal Reserve Bank is not an overdraft subject to a charge.