

## Press Releases

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April 23, 2010

### OTS 10-018 - Woodforest Bank to Pay Penalty and Restitution for Overdraft Protection Program Unfair to Consumers

#### OTS Proposes Guidance on Abusive Overdraft Practices

FOR RELEASE:  
Friday, April 23, 2010

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**Washington, D.C.** — Woodforest Bank agreed today to pay a penalty of \$400,000 and to refund an additional more than \$12 million to consumers who were charged excessive fees for overdraft protection on bank accounts, the Office of Thrift Supervision (OTS) announced.

Woodforest, a thrift institution based in Refugio, Texas, with \$85.9 million in total assets, agreed to two enforcement orders from the OTS, a cease-and-desist order and an order assessing the civil money penalty.

In addition to taking action against Woodforest, the OTS proposed guidance today to its examiners and OTS-regulated institutions about overdraft practices, including practices the OTS discovered at Woodforest. The proposed guidance addresses practices prohibited by the Federal Trade Commission Act for being unfair or deceptive, as well as practices that violate other federal laws or regulations.

“Overdraft protection programs can benefit consumers, but if done the wrong way, they can victimize the customers they are supposed to be helping,” said John E. Bowman, OTS Acting Director. “We are taking these enforcement actions and issuing this guidance today to ensure OTS-regulated institutions conduct these programs in the right way.”

Woodforest will deposit the more than \$12 million into an account to reimburse current and former customers who were misled about the cost of overdraft protection and charged excessive overdraft-protection fees. The OTS found that Woodforest relied on unreasonably high levels of such fees.

For information about reimbursement, consumers should call Woodforest Bank at 1-877-968-7962.

The OTS ordered Woodforest to stop the unfair and deceptive practices, reform the overdraft protection program and develop a plan to reimburse harmed consumers. The agency also directed the institution to submit to the OTS a new three-year business plan, maintain strong capital and submit an acceptable plan for managing cash flow.

In its proposed Supplemental Guidance on Overdraft Protection Programs, the OTS emphasized that thrift institutions must clearly represent the features of such programs,

provide consumers with the opportunity to choose whether to participate, explain the thrift's policies on clearing transactions and place reasonable aggregate limits on overdraft fees.

The proposed guidance would supplement guidance the OTS issued in 2005.

The OTS invites the public to comment on its proposed Supplemental Overdraft Guidance. Comments are due 60 days after the proposal is published in the Federal Register.

A copy of the proposed guidance is attached.

Copies of the enforcement orders are on the OTS website at:  
<http://www.ots.treas.gov/?p=EnforcementSearch>.

### **Related Files**

- **Supplemental Guidance on Overdraft Protection Programs -**  
<http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2010-18a.pdf>