



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006



February 5, 2010

The Honorable Christopher Dodd
Chair
Banking Committee
United States Senate
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member
Banking Committee
United States Senate
Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby:

We are writing to strongly urge the Senate Committee on Banking, Housing, and Urban Affairs to mark up and pass the “Fairness and Accountability in Receiving (FAIR) Overdraft Coverage Act of 2009,” S. 1799, introduced by Senator Dodd. As was addressed at the Committee’s hearing on this issue in November, American consumers are paying \$24 billion a year in unauthorized and unfair bank overdraft fees due to the failure of the Federal Reserve to adopt effective protections. Swift action by Congress on this bill could put billions back in the pockets of Americans who struggle to make ends meet.

The FAIR Overdraft Coverage Act of 2009 requires financial institutions to comply with the Truth in Lending Act when making loans to cover overdrafts; obtain consumer consent to use overdraft loans triggered by ATM and debit card transactions; and requires the Federal Reserve to determine the reasonable and proportional fee based on the cost to banks to pay overdrafts. In addition, the bill sets a limit of one overdraft fee per month and up to six per year before banks have to provide a more responsible form of overdraft protection in order to keep charging fees. Banks would be prohibited from manipulating the order of paying transactions in order to maximize the number of fees charged.

This week, Consumer Federation of America released the results of a national opinion poll conducted in January to determine public support for the key reforms in S. 1799. CFA found very strong support for reforms from all respondents, but especially from middle income Americans. Listed here are the reforms and the percentage of respondents who favor or oppose them.

Reforms	Favor	Oppose
On ATM withdrawals, require banks to disclose on the ATM screen when a withdrawal will overdraw the account	86%	10%
Require banks to process transactions in the order in which they are received	86%	10%
Require banks to get the permission of a customer before routinely covering overdrafts on checks written, debit card use, and ATM withdrawals and charging them a fee for each overdraft	74%	21%
Limit overdraft fees charged to one per overdraft	72%	23%
Require overdraft fees to be related to the bank's cost of providing the service	65%	26%
Limit overdraft fees charged to one per month and a maximum of six per year	63%	31%

We look forward to working with the Committee to ensure that unfair and unwarranted overdraft fees become a thing of the past. Please do not hesitate to contact Jean Ann Fox at CFA at 928-772-0674 or jafox@cableone.net or Rebecca Borne at CRL at 202-349-1868 if you have any questions.

Sincerely,

Jean Ann Fox
 Director of Financial Services
 Consumer Federation of America

Rebecca Borne
 Policy Counsel
 Center for Responsible Lending

Cc: Members of the Senate Banking Committee

Enc. CFA 2010 Large Bank Overdraft Fee Survey
 CRL Issue Brief: *Congressional Proposal Would Curb Overdraft Abuses; Fed's Rules Fall Far Short*