



Consumer Federation of America

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Statement of Jean Ann Fox, Director of Financial Services, Regarding Bank of America Overdraft Policy Announcement

Washington, DC ---(March 10, 2010) Today Bank of America announced that, starting this summer, the bank will no longer permit debit card purchases to overdraw checking accounts and trigger fees. Consumer Federation of America applauds this positive step to protect consumers from extremely expensive transactions.

“As a result of this change, Bank of America will no longer be in a position to charge customers a \$35 fee for a latte or sandwich purchased with a debit card when they don’t have enough money in the bank,” stated Jean Ann Fox, director of financial services for Consumer Federation of America (CFA).

“Bank of America is to be congratulated for this important first step. Consumers still need comprehensive federal legislation that addresses all forms of overdraft.”

New Federal Reserve rules require banks to get their customers’ affirmative consent to charge overdraft fees for debit card purchases and ATM withdrawals. “Instead of launching a hard-sell campaign to persuade its customers to opt-in to the most expensive form of overdraft coverage, Bank of America has correctly decided to simply deny debit card purchases on insufficient funds. Other banks should follow their lead.”

“Debit cards were sold as a substitute for cash, not as a credit device that puts consumers in debt at astronomical rates. Consumers don’t expect to be able to spend more than they have in the bank when they swipe a card at the cash register.”

Consumers paid \$24 billion in overdraft fees in 2008. The typical large bank fee is \$35 for a \$17 debit card overdraft. Some banks, including Bank of America, charge an additional fee if the overdraft and fee are not repaid in just days. Such fees can turn a \$35 latte into a \$70 latte in less than a week. Debit card overdrafts that could be denied at no cost are the most common trigger for high-fee overdrafts.

CFA expects to see aggressive marketing of opt-in for debit card and ATM overdrafts by financial institutions in an attempt to persuade or frighten consumers into agreeing to pay up to \$39 each time the bank chooses to cover small overdrafts. “We urge bank regulators to closely monitor bank marketing and advertising and to take swift action to prohibit unfair and deceptive tactics and claims.”