



Consumer Federation of America

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CFA Calls on the Senate to Pass the FAIR Overdraft Coverage Act

Federal Reserve action does not stop significant overdraft loan abuses; FAIR Act is needed to provide comprehensive consumer protections.

Washington, DC -- The Consumer Federation of America today urged the Senate to protect consumers from unauthorized and extremely expensive overdraft loans. Jean Ann Fox, Director of Financial Services for the Consumer Federation of America testified before the Senate Banking Committee on the need for Congress to pass the FAIR Overdraft Coverage Act, S. 1799, to rein in overdraft loan abuses.

Last week, the Federal Reserve Board issued rules that will require banks to get both new and existing customers' consent and require banks to provide information on overdraft options. "CFA applauds this effort, but consumers need more," said Jean Ann Fox. "Overdraft loans are not a 'convenience,' but are dangerous high-cost loans that must be reined in, even for people who agree to use them. In 2008, consumers paid \$24 billion in overdraft fees, money that could be better spent on necessities like food or shelter during this economic slowdown."

CFA strongly supports the provisions in the FAIR Overdraft Protection Act including:

- Capping the number of overdraft fees per customer at one fee per month and six per year.
- Requiring that the Fed set "reasonable and proportional" bank overdraft fees based on the costs to the banks to cover these loans.
- Prohibiting banks from manipulating the processing order of debits to maximize overdraft loan fees.
- Defining overdraft fees as a finance charge covered by the Truth in Lending Act

"Consumers want these protections and changes to overdraft loan programs. In addition to wanting to opt-in for overdraft coverage, consumers want to be warned when ATM withdrawals will trigger an overdraft. CFA's July 2009 poll¹ found that 85 percent of

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¹ Caravan Opinion Research Corporation poll of 1018 adults age 18 and older, July 24-27, 2009.

adult Americans want banks to be required to disclose on the ATM screen when a withdrawal will overdraw an account. Seventy-one percent support requiring banks to gain permission of customers before routinely providing loans to cover overdrafts. Seventy percent support requiring banks to pay checks in the order they are received.”

“Consumer Federation of America’s support of this bill is part of CFA’s campaign to strengthen regulation of financial products that trip up consumers,” said Susan Weinstock Director, Financial Reform Campaign at CFA. “We look forward to the day that the Consumer Financial Protection Agency will be in place to ensure that consumers get a fair deal from lenders on a range of financial products and services, including overdrafts, credit cards, mortgages and the like.”

The Consumer Federation of American is a non-profit association of more than 280 groups that, since 1968, has sought to advance the consumer interest through advocacy and education.