



Consumer Federation of America

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2011 CFA Survey of Big Bank Overdraft Loan Fees and Terms

In June, 2011, CFA surveyed the websites of the fourteen largest banks and collected information on their overdraft fees and practices, processing order for payments from accounts, and fee information for overdraft protection products offered by the bank. When information was not available online, CFA visited bank branches and made calls to customer service numbers to fill in the missing data.

Table One shows the fees charged by banks when a transaction is paid despite insufficient balance, the fee charged when an overdraft is not repaid in days, and any limits banks set on the size of overdraft to trigger fees and any daily limit on the number of fees charged. CFA computed the maximum overdraft fees a consumer could be charged in one day, using the bank's highest fee and the maximum fee limit per day. CFA also computed an Annual Percentage Rate (APR) for a single \$100 overdraft repaid in two weeks, using the top fee charged by the bank and any sustained overdraft fees applied for that time period, computed as if this were a closed-end payday loan.

Table Two indicates the bank's regulator and notes the types of transactions for which banks permit or deny overdraft coverage. Information from account agreements on the order in which banks process payments from accounts is summarized. Finally, the table notes whether traditional forms of overdraft coverage are available and any pricing information posted. These include transfers from savings accounts or credit cards to cover overdrafts and overdraft lines of credit available from the bank.

Overdraft fees and terms change at any time, so consumers should check their bank for current information.

Key Findings:

- The median overdraft fee is \$35 and initial fees range from \$33 to \$37. The \$35 median fee and range of top fees remain unchanged from CFA's 2010 survey. Three banks charge tiered fees based on the number of overdrafts in a twelve month period.
- Two-thirds of banks charge a second or "sustained" overdraft fee, structured either as a flat fee or a per-day fee, unchanged from CFA's 2010 survey. For example, SunTrust charges \$36 on the 7th day following an overdraft and JP Morgan Chase adds \$15 after each five-day period an overdraft remains unpaid. RBS Citizens charges \$6.99 per day on the fourth through thirteenth day an overdraft is not repaid.
- Over 70 percent of banks set a threshold to trigger overdraft fees, such as \$5 total overdrawn in a day before fees are charged. US Bank sets the highest threshold at \$10 while Bank of America eliminated the threshold it set last year.

- All of the surveyed banks except HSBC set a limit on the number of overdraft fees that can be charged in a single day, ranging from three at JP Morgan Chase to ten per day at Fifth Third Bank.
- Applying the highest overdraft fee to each bank's daily limit on the number of fees, consumers can be charged from \$99 at U.S. Bank to \$370 at Fifth Third Bank. There is no overdraft limit at HSBC, however, the bank does not permit debit card purchases and ATM withdrawals to trigger overdrafts.
- The total maximum overdraft fees in one day went up at two banks since 2010. BB&T doubled the number of fees per day from four to eight while Regions increased its total fees from four per day to six. TD Bank dropped its daily maximum from six to five overdraft fees.
- The cost of a \$100 overdraft repaid in two weeks, adding up initial and sustained overdraft fees that would accrue in that time period, was computed as if this were a closed-end payday loan. The highest equivalent APRs are charged by Fifth Third Bank (3,250%), RBS Citizens (2,779%), PNC Bank (2,574%), and U.S. Bank (2,158%). The lowest-cost two-week overdraft loans are made by HSBC (checks) and Wells Fargo at 910%, and by Regions at 936%.
- Banks made some changes to the types of transactions that trigger overdraft fees in the last year. Bank of America now permits consumers to overdraw at the ATM with consent given each time. Prior to the Federal Reserve's opt-in rule start, Bank of America had stopped charging overdraft fees for both debit card point of sale transactions and ATM withdrawals. HSBC no longer permits overdrafts on debit card purchases and ATM withdrawals. Citibank has never permitted overdrafts triggered by debit card POS purchases or ATM withdrawals.
- The order in which banks pay transactions has a big impact on the number of overdraft fees customers can be charged. Last year almost all of the largest banks processed payments largest to smallest or reserved the right to do so, maximizing overdraft fee revenue. Recently, JPMorgan Chase processes payments in the order received for most transactions, with all others largest to smallest. Since mid-2010, several banks changed the order in which payments are made from checking accounts, a result of litigation and voluntary changes. In late July, Citibank started paying checks smallest to largest and will make that change for ACH transactions in October. Fifth Third Bank posts ATM and debit POS transactions in the order they happen before posting checks and ACH transactions largest to smallest. Wells Fargo processes ATM, debit card and other time-stamped transactions in the order received or smallest to largest while paying checks and ACH transactions largest to smallest.
- All fourteen largest banks provide lower cost traditional forms of overdraft protection, such as transfers from savings or credit cards and overdraft lines of credit. Fees to transfer funds from savings to cover checking account overdrafts range from \$10 to \$20 per transfer. RBS Citizens charges an annual \$30 fee to cover overdraft protection from savings or line of credit.

Table 1: Overdraft Fees and Limits, Cost of \$100 Overdraft Compared to Payday Loans

Name	Initial OD and tiered OD's	Sustained OD fee	OD amount to trigger OD fee	Daily Max OD fees	Total Max Daily OD fees	APR for \$100 2-week OD
Bank of America	\$35	\$35 after 5 days	\$0.01	4 per day	\$140	1820% ¹
BB&T	\$35	\$33 after 7 days (Alabama)	\$5	8 per day	\$280	1768% ²
Capital One	\$35	None	\$5.01	4 per day	\$140	910% ³
Citibank	\$34	None	\$0.01	4 per day	\$136	884% ⁴
Fifth Third Bank	1 st is \$25 2 nd -4 th is \$33, 5 th or more is \$37	\$8/day after 3 days	\$5.01	10 per day	\$370	3250% ⁵
HSBC	\$35	None	\$0.01	Unlimited	Unlimited	910% ⁶
JP Morgan Chase	\$34	\$15 after each 5 days	\$5.01	3 per day	\$102	1664% ⁷
PNC bank	1 st is \$25 2 nd or more is \$36	\$7/day after 5 days; Max of \$98	\$5.01	4 per day	\$144	2574% ⁸
RBS Citizens	1 st is \$22 2 nd or more is \$37	\$6.99/day for 4th-13th days overdrawn	\$0.01	7 per day	\$259	2779% ⁹
Regions	\$36	None	\$5.01	6 OD and 6 NSF	\$216	936% ¹⁰
SunTrust Bank	\$36	\$36 on 7 th day	\$5 item	6 OD and 6 NSF	\$216	1872% ¹¹
TD Bank	\$35	\$20 on 10 th day	\$5.01	5 per day	\$175	1430% ¹²
U.S. Bank	\$10 per item if OD is \$20 or less, \$20.01 or more is \$33 fee per item	\$25/week on 8 th day and each week overdrawn	\$10	3 OD and 3 NSF	\$99 OD if each over \$20	2158% ¹³
Wells Fargo	\$35	None	\$5.01	4 per day	\$140	910% ¹⁴

¹ Bank of America: \$35 OD fee + \$35 extended overdraft fee after 5 days = \$70

² BB&T: \$35 OD fee + \$33 negative balance fee after 7 days = \$68

³ Capital One: \$35 OD fee

⁴ Citibank: \$34 OD fee

⁵ Fifth Third Bank: \$37 OD fee + \$8 per day after 3 days (4-14th day or \$88) = \$125

⁶ HSBC: \$35 OD fee

⁷ JPMorgan Chase: \$34 OD fee + \$15 after 5th day + \$15 after 10th day = \$64

⁸ PNC: \$36 OD fee + \$63 sustained OD fee (\$7 per day 6th through 14th day) = \$99

⁹ RBS Citizens: \$37 OD fee + \$69.90 (\$6.99 4th through 13th day) = \$106.90

¹⁰ Regions: \$36 OD fee

¹¹ SunTrust: \$36 OD fee + \$36 sustained OD fee on 7th day = \$72

¹² TD Bank: \$35 OD fee + \$20 sustained OD fee on 10th day = \$55

¹³ U.S. Bank: \$33 OD fee + \$50 sustained OD fee (\$25 following 1st and 2nd week) = \$83

¹⁴ Wells Fargo: \$35 OD fee

Table 2: Overdraft Transactions Covered, Payment Processing, and Overdraft Alternatives

Name	Regulator	Types of transactions covered by OD	Order in which payments are processed	OD protection programs
Bank of America	OCC	Check, online and automatic bill payments, ACH and recurring debit card transactions. ATM transactions if you opt in per use. Does NOT charge OD fee on debit card POS transactions.	At bank's discretion, but ordinarily largest to smallest dollar amount within each category	\$10 each for transfer from second checking account, savings account, credit card or line of credit.
BB&T	OTS	Checks, automatic bill payments, recurring debit card transactions. ATM withdrawals and non-recurring debit card transactions if you opt in.	At bank's discretion, but ordinarily largest to smallest dollar amount	Offered with savings, credit card, or line of credit.
Capital One	OCC	Checks and automatic bill payments. Non-recurring debit card transactions and ATM withdrawals if you opt in.	By category, then largest to smallest dollar amount	Offered with savings, credit card, or line of credit.
Citibank	OCC	Check, in person withdrawal, transfer, draft, ACH transaction or electronic transactions. Does NOT charge OD on POS debit or ATM transactions.	At bank's discretion, but generally pay checks smallest to largest dollar amount ¹⁵	\$10 per day for transfers from savings account or line of credit
Fifth Third Bank	FRB	Checks and automatic bill payments using your checking account number. Non-recurring debit card transactions and ATM withdrawals if you opt in.	First post ATM and debit POS in order took place, then post checks, electronic bill pay and fees in order largest to smallest amount	OD protection from saving account, credit card, or line of credit. Charge based on # of OD protection transfers in last 12 months. 1-10 is \$10, 11-20 is \$15, 21 or more is \$20 each
HSBC	OCC	Checks, may cover preauthorized automatic bill payment. Does NOT authorize and pay overdrafts for ATM transactions and POS debit card transactions.	Generally largest to smallest dollar amount	Overdraft protection program but no details on website.
JP Morgan Chase	OCC	Check, bill pay, and ACH. ATM and non-recurring debit transactions if you opt in.	Order received for most transactions, all others highest to lowest dollar amount	\$12 per transfer to credit card, savings account or home equity line of credit.
PNC bank	OCC	Checks, automatic bill payments, any use of checking account number. ATM and non-recurring debit transactions if you opt in.	Largest to smallest	\$10 per transfer from other deposit account or credit card. Line of credit also available.
RBS Citizens	OCC	Checks, transactions made with checking account number, automatic bill payments. ATM and debit card transactions if you opt-in.	Largest to smallest dollar amount	\$30 annual fee for OD protection with savings link or line of credit. Plus \$10 daily transfer fee for line of credit

¹⁵ Effective Oct. 14, 2011, Citibank will pay ACH transactions in order of smallest to largest dollar amount.

Name	Regulator	Types of transactions covered by OD	Order in which payments are processed	OD protection programs
Regions	FRB	Checks, other transactions made using checking account number, and automatic bill payments. ATM withdrawals and debit card transactions if you opt in.	At bank's discretion; generally largest to smallest dollar amount	Savings, money market, credit card or line of credit offered for \$15 per transaction
SunTrust Bank	FRB	Checks, in person withdrawals, or other electronic means. ATM withdrawals and non-recurring debit card transactions if you opt in.	At bank's discretion; may post largest to smallest	Savings, money market, credit card or line of credit offered for \$12.50 per transfer.
TD Bank	OCC	Check, in person withdrawal, or other electronic means. ATM withdrawals and debit card transactions if you opt in.	First, pending debit card, ATM, or electronic transactions, the rest ordered by category; Generally largest to smallest dollar amount within each category	\$10 per daily transfer. Line of credit at 18% APR.
U.S. Bank	OCC	Check, automatic bill payment, recurring debit card transactions. ATM transactions and non-recurring debit card transactions if you opt in.	At bank's discretion, may process largest to smallest	\$10 per transfer from other deposit account, credit card, or line of credit. Fee waived if negative account balance is less than \$10.
Wells Fargo	OCC	Check, bill pay, and ACH. ATM transactions and non-recurring debit card transactions if you opt in.	At bank's discretion; generally largest to smallest dollar amount for checks and ACH. Generally in time order for ATM, debit, others; if time stamp not available, lowest to highest.	\$12.50 daily for savings transfer, \$10 for advance from line of credit. Advance from credit card also available for \$10-\$20 per day.

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