



Consumer Federation of America

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Overdraft Protection Act Would Protect Consumers from Punitive, Frequent Overdraft Fees and Unfair Transaction Re-ordering

Washington, D.C.-- Consumer Federation of America (CFA) applauds the introduction of the Overdraft Protection Act by Representative Carolyn Maloney, Representative Maxine Waters and 41 co-sponsors. The bill would protect consumers from abusive overdraft practices by requiring consumers to affirmatively opt-in to overdraft coverage for all types of transactions and prohibiting the manipulation of transactions in order to maximize overdraft fees.

[Recent CFA research](#) found that nearly 60 percent of consumers saw their account balances fall below \$500 in a given month and that 40 percent of those with low balances below \$500 had overdrawn their checking account in the past two years.

“Consumers, particularly those who frequently have low account balances, need to be able to pay bills, buy groceries and conduct everyday transactions without punitive, frequent and unfair fees,” said Tom Feltner, Director of Financial Services at CFA.

To prevent punitive, frequent overdraft fees, the Overdraft Protection Act would limit overdraft fees to one per month and six per year. It would also require that overdraft fees be reasonable and proportional to the amount of the overdraft. [CFAs June 2012 survey of overdraft fees](#) found that the average overdraft fee was \$35, even for very small transactions that resulted in a negative balance.

The bill would also prohibit a bank’s manipulation of the order of the transactions from largest to smallest, which maximizes overdraft fees. [CFAs June 2012 survey of overdraft fees](#) found that, while several banks have recently made some positive changes in their processing order policies, eleven banks still order transactions from largest to smallest.

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Consumer Federation of America is an association of nearly 300 non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, education and advocacy