



Consumer Federation of America

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FOR IMMEDIATE RELEASE:
Thursday, June 7, 2012

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Overdraft Fees at the Largest Banks Inch Upwards

Consumers Urged to File Comments on Bank Overdraft Practices with CFPB

Washington, DC --- Fees charged by banks when consumers overdraw their bank accounts are starting to inch upwards after two years at the same level, according to a new survey released today by the Consumer Federation of America (CFA). The two year period of flat fees coincided with the implementation of a new Federal Reserve Board requirement that banks get affirmative permission from consumers to incur overdraft fees on debit card and ATM overdrafts. While the typical overdraft fee remains at \$35 per transaction, two of the largest banks --- U.S. Bank and Fifth Third Bank -- have announced changes to their tiered fee structures that indicate rates are again on the rise.

“Big bank overdraft fees for a single transaction are very high, ranging from \$33 to \$37 at the largest banks,” noted Jean Ann Fox, director of financial services for CFA. “Consumers can be charged up to \$370 in one day, according to the maximum fee and daily limit fee policies that banks have.”

The CFA annual survey examined overdraft fees and practices at the nation’s fourteen largest banks. Five banks -- Fifth Third, PNC, RBS Citizens, SunTrust, and U.S. Bank -- charge tiered fees that vary depending on how many overdrafts are incurred in a twelve-month period. Starting in late June, Fifth Third Bank will charge \$37 per overdraft after a \$25 fee is assessed for an initial overdraft transaction. This replaces their current policy of charging a \$33 fee for the second, third, and fourth overdrafts in a twelve month period. U. S. Bank will charge a \$15 fee for an overdraft transaction that is \$15 or less, and \$35 for any overdraft over that amount. Currently U.S. Bank charges \$10 if the overdraft is \$20 or less, and \$33 per item if the overdraft is more than \$20.

The CFA survey found that almost two-thirds of banks pile on second or per-day fees if consumers do not repay overdrafts immediately. SunTrust charges \$36 on the 7th day an overdraft remains unpaid while RBS Citizens charges \$6.99 per day on the fourth through thirteenth day an overdraft is owed. Fifth Third is dropping its sustained overdraft fee that adds \$8 per day after an overdraft remains unpaid for three days.

Only three banks – Bank of America, Citibank, and HSBC – do not permit their customers to incur overdraft fees when using a debit card to make purchases. Citibank and HSBC will also prevent overdraft fees triggered at an ATM. The other eleven largest banks encourage their customers to opt-in to pay overdraft fees on very small purchases.

The biggest changes found in the survey were regarding the order in which banks process payments from accounts. As recently as 2010, CFA found that almost all major banks paid transactions from the largest to the smallest received, or reserved the right to do so. This can increase the chances that consumers with low balances will overdraw their accounts, forcing them to pay more overdraft fees. Since 2010, several banks have made some changes in their processing order policies, notably paying time-stamped transactions in the order they are received, before processing checks and other transactions from largest to smallest. Eleven banks still pay some transactions from largest to smallest. Citibank processes all payments from smallest to largest, while BB&T posts in chronological order and then from the smallest to largest dollar amounts.

“Bank overdraft loans are a form of payday lending,” said Ms. Fox. “Banks are charging staggeringly high rates for short-term borrowing when fees are computed the same way payday loans are calculated.”

According to the survey, the highest cost for a \$100 overdraft loan repaid in two-weeks, if computed like a closed-end payday loan, is 2,779 percent APR at RBS Citizens Bank. Fifth Third Bank previously held the record for the highest overdraft charge, at 3,250 percent APR, but this rate will drop to 962 percent on June 27, when the bank discontinues charging a daily sustained overdraft fee.

“Banks should not be in the business of charging steep fees for small loans triggered by debit card sales and ATM transactions that can be denied at no cost to consumers,” Fox stated. “The extreme fee in relation to very small loans that must be repaid in just days to avoid more fees means that bank payday lending is particularly burdensome to consumers who are struggling to make ends meet. CFA urges consumers to tell the CFPB about their experiences with bank overdraft fees and practices and encourage them to crack down on these abusive loans,” Fox added. “Consumers who opted into paying overdraft fees should tell their banks to stop charging overdraft fees on debit transactions that can be denied at no cost.”

The Consumer Financial Protection Bureau has requested comments from consumers about bank practices involving overdraft fees and terms. Comments are due by June 29. <https://www.federalregister.gov/articles/2012/04/25/2012-9851/impact-of-overdraft-programs-on-consumers>

Full link to report:

www.consumerfed.org/pdfs/Studies.CFAOverdraftSurveyUpdateJune2012.pdf

[CFA Overdraft Brochure](#)

-30-

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