Update to CFA Survey of Overdraft Fees

CFA issued a survey of overdraft fees as of late July. This survey is updated to show banks' announced changes to these terms in **bold**.

Bank	OD Fee	Sustained OD Fee	Maximum Daily Fees
Bank of America	$35	$35 after 5 days	**4 per day**
BB&T	$35	$30 after 7 days	**4 per day**
Chase	$25 first OD $32 2 to 4 OD $35 5 or more	0 to $25 per OD after 5 days	**3 per day**
Citibank (Does not permit overdrafts by debit card)	$34	None	4 per day
Citizens Bank	$25 first OD $37 2^{nd} OD day $39 3 or more	$35 after 6 days $35 2^{nd} fee/ 10 days	No Max
Fifth Third Bank	$25 first OD $33 2 to 4 OD $37 5 or more	$8/day after 3 days	No Max
HSBC	$35	None	No Max
National City Bank	$30 to $36	None	No Max
PNC Bank	$31 1 to 3 OD $34 4 to 6 OD $36 7 or more	$7/day after 4 days Max $35 sustained	No Max
Regions Bank	$25 first OD	None	**4 per day**
SunTrust	$36	$36 on 7^{th} day	No Max
TD Bank	$35	$20 on 10^{th} day	6 OD and 6 NSF
US Bank	$19 first OD $35 2 to 4 $37.50 5 or more	$8/day after 3 days	**3 per day**
WAMU	1 free OD $34	None	7 OD
Wells Fargo/ Wachovia	$35	None	**4 per day**

<u>Bank Overdrafts are Payday Loans</u>

Credit extended to consumers when banks pay transactions that overdraw accounts is very similar to payday loans. Payday loans are small cash loans based on the lender holding the borrower's check for future deposit on the next payday. Parallels for these two forms of high-cost lending:

- <u>Both require borrowers to have a bank account</u>. Banks permit accountholders that meet threshold qualifications to use overdrafts. Payday lenders require borrowers to have a checking account and to show a recent bank statement in order to obtain a loan.

- <u>Both are based on borrowers writing a check or authorizing a debit for more than the borrower has in the bank</u>. Overdrafts are triggered when a consumer uses a debit card at a retailer, withdraws cash at an ATM, or has a check covered by the bank despite insufficient funds. Payday lenders hold the borrower's personal check or debit authorization as both security for the loan and the means of collecting payment.

- <u>Both are due and payable within a few days</u>. Payday loans are due in full on the borrower's next payday, generally 14 days. Overdraft loans are due and payable immediately. If not repaid within days, some banks add additional fees.

- <u>Both require balloon payments of the full amount of the loan and the fees</u>. If payday loan borrowers do not pay with cash on payday, the lender sends the check to the bank for collection. Banks demand immediate repayment and use set-off to withdraw payment for the overdraft and fees from the next funds deposited into the consumer's account.

- <u>Both loans cost triple or quadruple-digit interest rates.</u> The annual percentage rate for a one-week $200 payday loan at $17.50 per hundred is 910 percent, while a $200 overdraft loan repaid in one week for a $35 fee costs the same. The FDIC reported that a typical $20 debit overdraft, costing $27 fee, repaid in two weeks costs 3,520 percent APR.

- <u>Both put borrowers in a debt trap</u>. The typical payday loan borrower has 9 loans per year and ninety percent of the business is generated by borrowers with five or more loans per year. The FDIC reports that 84% of all insufficient funds and overdraft fees were paid by 8.9 percent of account holders who had ten or more overdrawn transactions in a year.

- <u>Failure to immediately repay loans sets off a cascade of other fees</u>. Payday lenders charge insufficient funds fees when checks are returned by the bank, plus the consumer's bank charges NSF fees each time. Bank collection through set-off may trigger more overdrafts when other payments are presented to the bank. Banks with sustained overdraft fees drive up the cost of the initial overdraft.

- <u>Both products put consumers at risk for losing their bank accounts</u>. Banks typically do not permit overdrawn customers to close accounts until the overdraft and fees are paid. Too many unpaid overdrafts or NSF fees can result in account closure. If the bank account is closed due to repeat overdrafts, this will be listed on credit reports which may prohibit consumers from opening a new bank account. A Harvard Business School study found that use of payday loans increases involuntary bank account closures.

Chart: The High Cost of Bank Overdraft "Payday" Loans

This chart illustrates what a $100 overdraft would cost when the overdraft remains unpaid for seven days, using the bank's maximum fee and the sustained overdraft fees that would be imposed over a seven-day time period. The APR is computed as if this were a closed-end one-week payday loan.

Bank	**Max OD Fee**	**Sustained OD Fee Times # of Days**	**Total**	**APR/7 days**
Bank of America	$35	$35	$70	3,640%
BB&T	$35	$30	$65	3,380%
Chase	$35	$12.50 (AZ)	$47.50	2,470%
Citibank	$34	0	$34	1,768%
Citizens	$39	$35	$74	3,848%
Fifth Third	$37	4x$8 = $32	$69	3,588%
HSBC	$35	0	$35	1,820%
National City	$36	4x$8 = $32	$68	3,536%
PNC	$36	3x$7 = $21	$57	2,964%
Regions	$35	0	$35	1,820%
SunTrust	$36	$36	$72	3,744%
TD Bank	$35	$20	$55	2,860%
U.S. Bank	$37.50	4x$8 = $32	$69.50	3,614%
Wachovia	$35	0	$35	1,820%
WaMu	$34	0	$34	1,768%
Wells Fargo	$35	0	$35	1.820%