



Consumer Federation of America

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Overdraft Examples

Compiled by Consumer Federation of America

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Overdraft Triggered by Check Sets off Cascade of Overdraft Fees

In January 2010, a Utah couple wrote a check for \$1,000 and asked the recipient to hold it until the wife's direct-deposited pay became available the next day. Although they had not signed up for fee-based overdraft coverage, their bank paid the check despite insufficient funds when the check was deposited the day before payday. As a result, the bank charged 11 overdraft fees costing \$35 each within a two week period plus one insufficient funds fee for a total of \$420 in fees. The couple complained that the bank should have denied the check and charged one NSF fee which would not have triggered the additional fees. The husband is disabled and receives SSI while the wife is a civilian employee at a military base.

Note: Bankers claim that consumers want banks to cover checks despite insufficient funds to avoid merchant fees for returned checks. If the bank had refused to cover this check, the recipient could have represented the check after payday and the accountholders would have been spared subsequent overdraft fees. (Account statement on file with CFA.)

\$180 in Overdraft Fees for an \$11 Debit on a Closed Account

An Ohio consumer closed his checking account and withdrew the remaining \$16 balance. Three weeks later, without notifying the consumer, the bank reopened the account to pay a recurring \$11 debit from a video rental company and then imposed its \$36 overdraft fee/ When the consumer, who thought the account was closed, didn't immediately repay the overdraft and fee, the bank added its \$8 per day sustained overdraft fee. By the time this story was reported, the consumer owed \$180 in fees on an \$11 overdraft from a closed account. (Local 12 News, Cincinnati, Ohio, updated January 5, 2010. The reporter intervened and got the fees forgiven with payment of the \$11 debit.)

Tiny Debits Result in \$1,142 in Overdraft Fees

An Atlanta businessman who had linked his personal checking account to his business account was shocked to find that his bank levied \$1,142 in overdraft fees in less than two months instead of alerting him or transferring funds from his linked business account. Furthermore, many of the transactions that triggered \$35 fees were for less than a dollar each. Ten overdrafts that totaled \$9.06 cost \$350 in overdraft fees. The bank also ordered payments largest first, triggering additional fees. On one day eight payments were made, from \$30.77 to \$0.15. Due to high-to-low processing, six \$35 overdraft fees were triggered. (Letter from consumer, on file with CFA.)

Sustained Overdraft Fees Put Consumer in a Hole

A recent high-school graduate working a minimum-wage job in Indiana overdrew his checking account due to a \$10 math error by a total of \$6.58 in four debit purchases although he had not signed up to be able to borrow with his debit card. The bank charged \$35 each in overdraft fees plus \$8 per day that the account remained in the red. Although the consumer deposited \$100 to cover his transactions, the bank took all of that to cover the overdraft fees, leaving him still negative. By the time the family contacted CFA, he owed over \$500 in original and sustained overdraft fees. (Letter from consumer, on file with CFA.)