

CFPB's Very Large Institutions Overdraft Fee Rule

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Lauren Saunders
Associate Director

Your Job:

- Explain the problem with bank overdraft fees
- Briefly summarize the overdraft fee rule
- Ask for support for the rule

Bank Overdraft Practices Harm Consumers

- An **abusive, high-cost form of credit, back-end junk fee**
- Banks collect **billions a year** from people struggling to get by
 - **23 million people**, almost 1 in 5 consumers, incur overdraft fees
- Banks **manipulate** people into incurring fees
- Median debit card overdraft is \$23, repaid in 3 days
- 7 in 10 think a \$35 fee is **unfair**
- 68% would rather have a debit card transaction **declined** than pay a high fee

Overdraft Fees Harm the Most Vulnerable

- People who incur >10 fees year have average end-of-day balances of \$350
- Exacerbate wealth disparities and racial injustice
- Overdraft fees cause people to lose their bank accounts or avoid banks.
- Unbanked rates: Native American 12%, disability 11%, Black 11%, Latino 9% vs. 2% of white households

CFPB Overdraft Rule Promotes Safer, More Transparent Overdraft Credit

- Caps back-end overdraft fees at \$5 or the bank's cost
- **No price cap** if overdraft credit is offered transparently as a line of credit and complies with credit card laws:
 - APR disclosure
 - Time to pay
 - Consideration of ability to repay
- The rule returns **\$9 billion** to families faced with high prices, on average **\$225 per household**

Only Applies to Very Large Institutions

- Banks and credit unions with $> \$10$ billion in assets
- **Wells Fargo and Chase** will face the largest impacts
 - Each collects c. **\$1 billion/year** – far more than all the others
- Banks, credit unions with $< \$10$ billion in assets are **completely exempt**.

Rebutting Bank Arguments

- Banks will **not eliminate overdraft protection**
 - Have options, can make a profit
 - Capital One, Citibank, Ally, others have no overdraft fees, still offer overdraft protection
 - People will be angry, change banks, if they bounce all overdrafts
- Competition will **prevent large monthly fees**
 - Free checking is a popular marketing tool
- **Small banks** complain about “market pressure” but:
 - Already face market pressure from fintechs & banks lowering or eliminating fees. Market pressure is how competition works.
 - People don’t shop on overdraft fees; choose small banks for personal service

Urge Support for the CFPB Overdraft Fee Rule

- Pledge to vote against a CRA resolution to overturn the rule
- Please speak out publicly about how the rule helps voters facing high prices