



Overdraft Fees and Opting In

A survey of consumer preferences

CRL Research Brief

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The Federal Reserve Board is considering implementing a new rule that would require financial institutions to get explicit permission before enrolling their account holders in an overdraft system that automatically approves debit card and ATM transactions, and assesses an average \$34 fee if there is a negative balance in the account.

A Center for Responsible Lending survey conducted by market research firm Macro International, Inc. explored consumer preferences on this issue, and found that U.S consumers overwhelmingly want to choose whether overdrafts on their debit cards are covered or not. Specifically:

83% of consumers want to choose whether overdraft protection on their debit card purchases and ATM transactions is included with their bank account. The vast majority (80%) of these consumers also want their bank to ask permission before enrolling them in such an overdraft program, rather than do so automatically.

Almost half of all overdrafts (46%) are triggered by debit cards at the ATM or the point of sale. These overdrafts could be easily prevented with a warning or denial. Most debit point-of-sale overdrafts are small, averaging less than half this \$34 fee, meaning that these overdraft loans cost nearly \$2 for every dollar advanced to cover the shortfall.

Survey Methodology

This CARAVAN telephone survey was conducted by Macro International, Inc. between March 12-15, 2009 of 1,005 adults in the continental U.S.

Completed interviews are weighted by four variables: age, sex, geographic region, and race, to ensure reliable and accurate representation of the total population, 18 years of age and older. The chances are 95 in 100 that a CARAVAN survey result does not vary, plus or minus, by more than 2%.

Survey Questions:

1. “Your bank account may include some type of overdraft protection. Some people have funds automatically transferred from a linked account, credit card, or line of credit. Others may instead rely on their bank to cover any overdrafts and be charged a fee of about \$34 for each transaction that exceeds their account balance.

Which statement BEST describes how your overdrafts are handled? Would you say...”

Research Brief: Overdraft Survey

	Number	Percent
You have overdraft protection through a linked account, credit card, or line of credit	343	34%
Your bank covers your overdraft and charges you an overdraft fee for each transaction	294	29%
Your bank does not cover overdrafts	170	17%
Other	17	2%
Do not have a bank account	56	6%
Don't know	121	12%

2. “Have you overdrawn your bank account in the LAST YEAR?”
(This was asked of those survey participants who said they have a bank account.)

	Number	Percent
Yes	234	25%
No	677	72%
Don't know	33	4%

3. “Most bank accounts automatically include a feature where the bank will cover a debit card or ATM transaction if it causes your account to be overdrawn. Typically, the bank will charge a fee of about \$34 per transaction for this coverage.

Should banks give their customers the option to choose whether this service is included as part of their account?”

	Number	Percent
Yes	834	83%
No	99	10%
Don't know/No preference	67	7%

4. “How would you prefer to make this choice? Would you rather...”

(Asked of those who answered “yes” to Question #3, agreeing that banks should give customers the option to choose if overdraft service on debit card or ATM transactions are included as part of their account.)

	Number	Percent
The bank be required to get your permission before enrolling you in a program that covers your debit card overdrafts for a fee	668	80%
The bank automatically enroll you in the overdraft program, while allowing you to cancel later	147	18%
Don't know/No preference	19	2%