

### Abusive Overdraft Fees Drain Consumers Dry

**F**inancial institutions drain billions of dollars annually from their customers through abusive overdraft fee practices. Frequently marketed as a “customer service,” overdraft fees are charged when a customer’s account lacks sufficient funds to cover a transaction, and the institution pays the transaction anyway. The institution then repays itself the value of the overdraft transactions and all accompanying fees from the consumer’s next incoming deposit. In doing so, the institution jumps ahead of any other planned transactions.

Banks typically charge these fees on debit card point-of-sale (POS) transactions, ATM withdrawals, electronic bill payments, and paper checks. Some institutions have a far better policy on POS and ATM transactions by simply declining these transactions at no cost when accounts lack sufficient funds. But many other institutions continue charging \$35 per debit card overdraft.

Overdraft fees impose a great burden on those already living paycheck to paycheck, struggling to make ends meet. Many banks manipulate transaction posting orders, driving up the number of fees incurred even further. Ultimately, the lucrative revenue banks make through overdraft fees keeps them from offering lower-cost, responsible banking and credit products for low-income account holders and other vulnerable populations.



#### Fast Facts

Customers of larger banks paid over \$11 billion in overdraft-related fees in 2017.

Overdraft fees average \$35—nearly twice the size of the average \$20 debit card overdraft that triggers a fee.

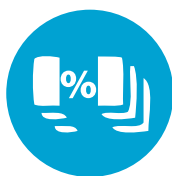
Consumers subjected to debit card overdraft pay over \$250 in overdraft-related fees each year.

Younger consumers, those ages 18 to 25, are hit hardest by overdrafts. Over 10% have more than 10 overdrafts per year.

According to the FDIC, over half a million households who once had bank accounts are currently unbanked— primarily due to high or unpredictable fees.

#### Policy Reforms

- Require that overdraft fees be reasonable and proportional to the institution’s cost of covering the shortfall.
- Limit overdraft fees to one per month and six per year.
- Apply credit protections to overdraft programs including permitting repayment in affordable installments.



“With abusive overdraft fees, financial institutions take advantage of customers fighting desperately to stay afloat. Ultimately, these fees drive many from the banking system altogether and make reentry very difficult.” – Rebecca Borné, CRL Senior Policy Counsel



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