

Overview

Even during the best economic times, overdraft fees are a tremendous drain on working families and often cause irreparable harm. The fees compound into hundreds per year for banks' most financially distressed account holders and some even end up spending over a thousand dollars in overdraft fees. They drive people out of the banking system altogether, which disproportionately harms people of color, who are already far more likely to be unbanked than white Americans. During this period of sustained un- and under-employment, overdraft fees could exponentially increase, siphoning off consumers' stimulus funds and creating an unintended windfall for banks. **For the good of families and the broader economy, Congress should halt bank overdraft fees during the COVID-19 crisis.**

Overdraft fees are unreasonably punitive and harmful, particularly during a widespread economic crisis.

- **More than \$12 billion per year** is drained from checking account holders through unreasonably punitive overdraft fees.
- **The fee amount is wildly out-of-proportion to the cost to the bank.** Banks charge an average fee of \$35 per transaction, even while the cost to the bank of covering the transaction is minimal.
- **Most overdraft fees are for small overdrafts that the bank recoups only a few days later.** Most overdraft fees are for debit card purchases, and these average only \$24. The bank typically recoups the amount of the overdraft and the fee only three days later.
- **Overdraft fees, unlike other penalty fees, are unlimited.** The CARD Act brought more fairness to penalty fees on credit cards, limiting penalty fees to one per month. But penalty fees on debit card and checking account overdrafts remain unlimited. Where banks self-impose limits, the limit is typically three or more per day -- that's \$105 per day.
- **Opaque posting practices make overdraft fees very difficult to avoid.** Frequently, customers incur overdraft fees despite carefully attempting to avoid them, and often believing they have. Opaque bank practices around deposit clearing, debit holds, and transaction posting order, coupled with uncertainty as to when particular transactions will be presented for payment, can make it nearly impossible for those living paycheck to paycheck to know whether or not they've escaped the harsh blow of one -- or many -- overdraft fees.
- **Overdraft fees are especially outrageous as banks are borrowing from the Federal Reserve at 0%.** Banks should not experience an unprecedented windfall as the direct result of their customers' unprecedented distress. Saying customers can ask for fees to be waived, as some banks have done, will not provide sufficient relief. Instead, banks can cover overdrafts for no charge or with reasonably priced overdraft lines of credit, rather than with unreasonable overdraft fees.

Congress should prohibit bank overdraft fees during the COVID-19 crisis.