



## Executive Summary

### Overdraft U: Student Bank Accounts Often Loaded with High Overdraft Fees

Colleges and banks frequently team up to market bank accounts to students – but these accounts may come with high, unfair fees, like overdraft, and questionable marketing tactics. Overdraft fees on the accounts may cost students hundreds of dollars a year. These fees could even cost more than a student’s textbooks.

Despite the fact that students could find safer and less expensive bank accounts on their own, colleges give banks powerful marketing advantages to help them reach students. In return, colleges receive a share of the revenue or other financial benefits. Colleges may give banks incoming students’ personal information; co-brand the account with college logos; give the bank exclusivity agreements to shut out competitors; and let banks use the financial aid disbursement or student ID processes as a high-pressure marketing platform.

College officials, student leaders, and policymakers should better understand the impact of harmful marketing practices and banking fees, especially overdraft, that are included in these accounts. Federal policymakers should understand that overdraft fees on campus accounts may be directly diverting a significant percentage of federal financial aid dollars to banks operating with special assistance from college allowing them to target students.

*Overdraft U* analyzes the fee structures used by some of the most prevalent bank accounts offered on campus to determine the impact of overdraft fees. We find that:

- Despite being touted as “free” or low cost, all but one of the student bank products surveyed included high-cost overdraft fees—allowing students to incur over \$100 in overdrafts in one day.
- Accounts with abusive overdraft features place needed financial aid funds at substantial risk, with the heaviest overdrafters paying around \$700 in fees per year – **more than the average cost of textbooks.**
- Students could find better accounts on their own. Many bank accounts offered through school-financial institution partnerships have no better overdraft policies than accounts that students could obtain on their own. Several accounts available on the open market have better terms.

To address the harms caused by overdraft fees on student bank accounts, we recommend that:

- The Department of Education take action in its upcoming Cash Management Rule proposal to ban overdraft fees on campus bank accounts, and limit the marketing assistance colleges can provide to banks.
- The Consumer Financial Protection Bureau take steps to address the problem, including its Safe Student Account Scorecard initiative, which is designed to help colleges select safe bank accounts with no overdraft fees.