NEW REPORT DOCUMENTS HOW BANKS GENERATE BILLIONS OF DOLLARS IN OVERDRAFT FEES

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(Durham, North Carolina) A new report released today by North Carolina consumer advocacy group Reinvestment Partners shows that banks are on pace to generate approximately $10 billion in overdraft fees from consumers in 2015. The report calls on regulators to re-examine rules governing overdraft.

"THE SECRETS OF OVERDRAFT: HOW BANKS ARE MAKING BILLIONS ON OUR SMALL DOLLAR MISTAKES" uses newly published federal data to call out banks generating the most in overdraft fees.

"Consumers are unwittingly being ensnared into paying billions in overdraft fees every year," said Adam Rust, author of the report, "and often the reason is only because their banks have designed aggressive products. These results are a product of a system that puts the interests of banks ahead of consumers by methods that are often deceptive."

A key finding is that banks can design their overdraft products to increase consumer expense. There is great variation in the overdraft policies among different banks. This is not reflective of consumer choice, but rather because of the great heterogeneity in the makeup of account terms and conditions as well as gaps in consumer understanding of opt-in rules.

A fact sheet included alongside the report lists the 15 largest recipients of overdraft fees. JPMorgan Chase, Bank of America, and Wells Fargo collected more than $2 billion in overdraft fees during the first 6 months of 2015. A second fact sheet controls for consumer-related deposit account sizes.

There is great variation in the rules for overdraft policies:

- Some banks will not provide overdraft on any non-recurring point-of-sale debit card transaction or for withdrawals at ATMs. Yet most will, provided that a consumer opts-in for the service.
- Some institutions charge up to 10 overdraft fees in a single day, whereas others cap the fee at a single event per day. The latter usually charge the fee at the end of the business day and only after all credits have posted.
- Some banks apply extended overdraft fees within one day after the initial overage, but other institutions give consumers as much as two weeks to restore their account balance before charging additional fees.
- Some overdraft "courtesy cushions" are as high as $15, whereas other institutions offer no cushion at all.

The report asks regulators to prohibit overdraft fees on non-recurring debit purchases and ATM withdrawals. Regulators should expect banks to treat overdraft as a form of credit for consumers who repeatedly overdraft more than 4 times in one year. In those instances, overdraft should be regulated under the Truth-in-Lending Act.

"Few consumers understand how overdraft works," says Rust, "and it costs them dearly."

Using newly released banking data made available from the Federal Financial Institutions Examination Council (the FFIEC), the report outlines the sums of overdraft fees charged by individual banks. **Incredibly, it finds that US consumers are on pace to pay more than $1 million in overdraft fees every hour.**

The report also quotes recent comments made by consumers to the Consumer Financial Protection Bureau. There are two important takeaways to be drawn from their messages: first, consumers often pay high fees for services they fail to understand or appreciate, and second, this treatment falls within current law.

"We know people who choose to leave the banking system most often attribute their decision to paying high overdraft fees," said Rust. "Banks are undermining consumers with a product that may be legal, but which is often not fair."

Reinvestment Partners advocates for economic justice and opportunity. We pursue change in the lending practices of financial institutions in order to promote wealth building among underserved communities.