



Americans for Financial Reform

March 30, 2022

House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Dear Member of House Financial Services Committee:

Thank you for holding this important hearing on the movement to eliminate overdraft fees. These fees can be devastating for many households, especially for those who can least afford them, as they create a cycle of compounding fees and debt that can push consumers out of the banking system and into financial insecurity. While we are encouraged by some movement in the marketplace to eliminate these fees, we cannot rely on the benevolence of a few financial institutions to make up for the lack of common-sense regulations which would protect all consumers.

The 66 undersigned organizations urge the members of this committee to support Rep. Carolyn Maloney's Overdraft Protection Act of 2021

Overdraft-related fees cost consumers \$15 billion each year. By far, the most expensive way to have an overdraft covered is through an overdraft coverage fee. Financial institutions could offer and encourage their customers to choose lower cost overdraft coverage but instead they push extremely high-cost, punitive programs that disproportionately impact their most vulnerable customers.

Overdraft fees are often triggered by small debit card transactions that average about \$20, which could easily be declined for no fee when the account lacks sufficient funds. Instead, banks and credit unions pay these transactions and charge a fee averaging \$34, for the nation's largest banks. All too often, charging overdraft fees on debit cards unnecessarily forces low-income families into a cycle of compounding fees that can make it only more difficult to make ends meet.

Research shows that overdraft fees have a particularly devastating effect on lower-income consumers and communities of color. At a time when families face great financial insecurity because of the ongoing COVID-19 pandemic and high levels of inflation, we are obligated to do all that we can to protect these financial assets from further abuse.

The Overdraft Protection Act of 2021 would address the most abusive provisions of today's typical overdraft coverage by establishing the following key reforms, among others:

- requiring that all overdraft fees be "reasonable and proportional" to the cost to the institution of processing the transaction;
- limiting the number of overdraft fees institutions can charge to one per month and six per year; beyond that, additional overdrafts could be covered by an overdraft line of credit or by a transfer from another account.
- prohibiting institutions from charging an overdraft coverage fee on any transaction that results from a debit hold placed on an account that exceeds the actual dollar value of the transaction;
- prohibiting institutions from reordering transactions to maximize fees.

For these reasons, we enthusiastically support the Overdraft Protection Act of 2021 and urge your office to do the same.

Sincerely,

Americans for Financial Reform
20/20 Vision
AFL-CIO
Alaska PIRG
Alaska Public Interest Research Group (AkPIRG)
Arkansans Against Abusive Payday Lending
Bank On Boston Coalition
California Reinvestment Coalition
Center for LGBTQ Economic Advancement & Research (CLEAR)
Center for Reparatory Justice Transformation and Remediation
Center for Responsible Lending
Coalition on Human Needs
Communications Workers of America (CWA)
Consumer Action
Consumer Federation of America
Consumer Federation of California
Consumer Reports
Consumers for Auto Reliability and Safety
Florida Consumer Action Network
Georgia Watch
Gray pather
ICNA Council for Social Justice
International Union, UAW

Kentucky Resources Council, Inc.
Local Initiatives Support Corporation (LISC)
Madison-area Urban Ministry
Maryland Consumer Rights Coalition
Miami Valley Fair Housing Center, Inc.
Michigan League for Public Policy
Mission Asset Fund
NAACP
National Association of Consumer Advocates
National Community Reinvestment Coalition (NCRC)
National Consumer Law Center (on behalf of its low-income clients)
National LGBTQ Task Force Action Fund
National NeighborWorks Association
National Resource Center on Domestic Violence
NC Coalition for Responsible Lending
NETWORK Lobby for Catholic Social Justice
New Home Development
Partners In Community Building, Inc.
PathWays PA
Pennsylvania Council of Churches
Progressive Leadership Alliance of Nevada
Public Citizen
Public Justice Center
Public Law Center
Reinvestment Partners
Renaissance Entrepreneurship Center
SaverLife
SC Appleseed Legal Justice Center
Tennessee Citizen Action
Texas Appleseed
The Collaborative
The Leadership Conference on Civil and Human Rights
THE ONE LESS FOUNDATION
Tzedek DC
U.S. PIRG
UnidosUS
United Way of Southern Cameron County
Virginia Organizing
Virginia Poverty Law Center
VOICE - OKC
West Virginia Center on Budget and Policy
Woodstock Institute
WV Citizen Action Group