Booker, Brown Bill Would Rein in Abusive Overdraft Fees that Cost Consumers Billions Every Year

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WASHINGTON, DC — Today, U.S. Senators Corey Booker (D-N.J.) and Sherrod Brown (D-Ohio) introduced the Stop Overdraft Profiteering Act to crack down on unfair overdraft fees. The bill would establish reasonable safeguards for checking account holders; restore transparency to the checking account market; and ultimately encourage banks to expand responsible small dollar loan offerings rather than perpetuate harmful overdraft fee practices. Abusive overdraft fees strip billions every year from the pockets of American families, often through practices designed to maximize overdraft revenue for banks. Overdraft fees, typically $35 each, are frequently triggered by small debit card transactions that are much less than the fee itself.

"Financial institutions drain billions of dollars annually from their customers through abusive overdraft fee practices, severely impacting those who can afford them the least—poor and working class families living paycheck to paycheck. Even one overdraft can trigger hundreds of dollars in fees in just a few days, driving a bank customer deeper in the hole and often out of the banking system altogether," **said Center for Responsible Lending Senior Policy Counsel Rebecca Borné**. "Senators Booker and Brown's bill is a crucial step in addressing this important issue and we commend their efforts."

"Banks advertise 'free checking' but make their money through tricks and traps that can result in hundreds of dollars of overdraft fees a year," said **National Consumer Law Center Associate Director Lauren Saunders**. "Thank you to Senator Brown and Senator Booker for introducing this bill, which would stop banks from manipulating people into overdrafting their accounts."

"We have long known that communities of color are underbanked at rates far higher than the population as a whole, and abusive overdraft policies have made a bad situation even worse. Debit card overdrafts are essentially extremely high-cost loans that too often leave borrowers worse off, even forcing some out of the banking system altogether. We commend Senators Booker and Brown for moving forward on setting reasonable limits, especially now that the Consumer Financial Protection Bureau refuses to use the authority that Congress gave it to stop these abuses," **said Vanita Gupta, president and CEO, The Leadership Conference on Civil and Human Rights.**

"Overdraft fees are unfair, deceptive, harmful, and outrageously high—and they hit consumers of color the hardest," **said Hilary O. Shelton, Senior Vice President for Policy and Advocacy / Director to the NAACP's Washington Bureau**. "Senators Booker and Brown recognize that the runaway cost of this practice and our current economic environment make overdraft reform crucial and urgent. Financial institutions rake in billions annually through overdraft fees, often at the expense of their most vulnerable customers, ultimately driving many out of the banking system altogether. These abusive practices have been going on for far too long already, and it's time that we crack down on them."

"It's time for our country to move past 'gotcha' banking fees. Consumers deserve reasonable reform of overdraft fees and this proposal is a step in the right direction," **said Christopher Peterson, Director of Financial Services at Consumer Federation of America**.

“Overdraft fees trap low income families into a deep cycle of debt by preying on their precarious financial situations. We commend Senator Booker and Senator Brown for introducing a bill that will prevent financial institutions from unfairly taking advantage of vulnerable consumers,” **said Americans for Financial Reform Senior Policy Counsel Linda Jun**.

Specifically, the Stop Overdraft Profiteering Act would address the central problems with today’s overdraft fees by:

- Requiring that overdraft fees be reasonable and proportional to the institution’s cost of covering the overdraft;
- Requiring that any overdraft charge on debit card purchases and ATM withdrawals be in the form of traditional interest, rather than upfront fees;
- Limiting overdraft fees to one per month and six per year; and
- Stopping banks from engaging in processing that re-orders transactions to generate more overdraft fees.

The bill comes soon after the Consumer Financial Protection Bureau (CFPB) leadership announced that the agency will halt its rulemaking plan to address bank overdraft fee abuses. The agency had studied abusive overdraft fee practices since 2012 and the results have been clear: overdraft programs use unfair and abusive practices to exploit financially vulnerable customers.

Last August, the CFPB released a study that exposed the extent to which large banks’ abusive overdraft fees drain working families’ checking accounts. The study found that nearly 80% of bank overdraft and non-sufficient funds (NSF) fees are borne by only 8% of account holders, who incur ten or more fees per year, with many of those customers paying far more. For one group of hard hit consumers, the median number of overdraft fees was 37, nearly $1,300 annually. The study also confirmed that overdraft fees on debit cards can lead to extremely high cumulative fees for consumers.

Over the last 15 to 20 years, many financial institutions have betrayed the trust of their account holders by replacing what was once an occasional accommodation with an exploitative system of routine high-cost overdraft fees that drive account holders deep into debt.

Learn more about harmful overdraft fees here (CRL) and here (NCLC).

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