

July 25, 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 93 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,

National

20/20 Vision

Accountable.US

AFL-CIO

Americans for Financial Reform

Center for Economic Integrity

Center for Economic Justice

Center for Justice & Democracy

Center for LGBTQ Economic Advancement & Research (CLEAR)

Center for Responsible Lending

Coalition on Human Needs

Communications Workers of America (CWA)

Consumer Action

Consumer Federation of America

Consumer Reports

Consumers for Auto Reliability and Safety

ICNA Council for Social Justice

Jewish Women International

Leadership Conference on Civil and Human Rights

LGBTQ Task Force Action Fund

Local Initiatives Support Corporation (LISC)

Mission Asset Fund

NAACP

National Association for Latino Community Asset Builders (NALCAB)

National Association of Consumer Advocates

National Community Reinvestment Coalition (NCRC)

National Consumer Law Center (on behalf of its low-income clients)

National Employment Law Project

National NeighborWorks Association

National Resource Center on Domestic Violence

NETWORK Lobby for Catholic Social Justice

Prosperity Now

Public Citizen

Public Justice

SaverLife

U.S. PIRG

UnidosUS
United Auto Workers (UAW)
Woodstock Institute

State

Alabama Arise
Alaska Public Interest Research Group (AkPIRG)
Arizona Public Interest Research Group (Arizona PIRG)
Arkansans Against Abusive Payday Lending
Bank On Boston Coalition
Bank On CT
California Reinvestment Coalition
Center for Reproductive Justice Transformation and Remediation
Citizens Action Coalition of IN
Connecticut Association for Human Services
Consumer Federation of California
DC Consumer Rights Coalition
Delaware Community Reinvestment Action Council, Inc.
Empire Justice Center
Florida Consumer Action Network
Georgia Watch
Gray Panthers
Hoosiers for Responsible Lending
Indiana Community Action Poverty Institute
Kentucky Resources Council, Inc.
Madison-area Urban Ministry
Maryland Consumer Rights Coalition
Massachusetts Communities Action Network
Miami Valley Fair Housing Center, Inc.
MICAHA- Metropolitan Interfaith Council on Affordable Housing
Michigan League for Public Policy
NC Coalition for Responsible Lending
New Home Development
New Jersey Citizen Action
New Jersey Coalition for Financial Education
New Mexico Center on Law & Poverty
Ohio CDC Association
PathWays PA
Partners in Community Building, Inc.
Pennsylvania Council of Churches
Progressive Leadership Alliance of Nevada
Prosperity Works
Public Counsel
Public Justice Center
Public Law Center
RAISE Texas

Reinvestment Partners
Renaissance Entrepreneurship Center
SC Appleseed Legal Justice Center
Tennessee Citizen Action
Texas Appleseed
The Collaborative
THE ONE LESS FOUNDATION
Tzedek DC
United Way of Southern Cameron County
Virginia Organizing
Virginia Poverty Law Center
VOICE - OKC
West Virginia Center on Budget and Policy
WV Citizen Action Group