

**ICBA Summary**  
**Consumer Financial Protection Bureau Study of Overdraft Programs**  
**July 1, 2013**

The June 2013 Consumer Financial Protection Bureau (CFPB) Study of Overdraft Programs includes information received from a public Request for Information (RFI) and a study of overdraft programs at a small set of large banks (study banks) that are supervised by the CFPB. ICBA submitted its Overdraft Payment Services Study in response to the RFI.

Link to the CFPB Study: <http://www.consumerfinance.gov/reports/the-cfpb-study-of-overdraft-programs/>

CFPB findings included the following:

- In 2011, 27% of accounts at the study banks experienced at least one overdraft or NSF transaction.
- Most study banks quoted average overdraft coverage limits between \$500 - \$1000.
- Data the CFPB obtained from a research firm showed that the median NSF and overdraft fee among the 33 largest financial institutions were both \$34 (the 10<sup>th</sup> percentile was \$25 and the 90<sup>th</sup> percentile was \$36).
- 9 of the 33 largest banks monitored by a research firm indicated that they “tier” fees based on the volume of overdraft incidents incurred.
- 21 of the 33 largest banks monitored by the research firm had de minimis policies and the median threshold was \$5.
- In 2011, the average overdraft- and NSF-related fees paid by all study bank accounts with one or more overdraft transactions were \$225.
- The proportion of consumer checking accounts with at least one overdraft or NSF that were heavy overdrafters (consumers incurring more than 10 NSF or overdraft transactions in 2011) was 27.8% for study banks that tracked all incidences for all accounts opened at any time during 2011 and 13.5% for other study banks.
- Study banks involuntarily closed 6.0% of consumer checking accounts that were open or opened during 2011. The majority of negative balance incidents result when consumers overdraw their accounts.
- After Reg E, opted-in accounts had higher rates of involuntary closure than accounts that had not opted in. 8.5% of opt-in accounts at the study banks were involuntarily closed in 2011, while 5.5% of accounts not opted in experienced involuntary closure. At several study banks, involuntary closure rates were more than 2.5 times as high for opt-in accounts as for accounts that had not opted in.

- Opt-in rates among the study banks of accounts that were opened during 2011 were generally higher than for existing accounts and varied dramatically, ranging from single-digit percentages to more than 40%.
- While a majority of accounts that were the heaviest overdrafters (more than 10 overdraft or NSF transactions in the first half of 2010) did not opt in pursuant to Reg E, these accountholders opted in at a higher rate than accounts overall (44.7% compared to 15.2% of ALL accountholders among the sample of banks and 11% of accountholders that did NOT have an NSF or overdraft transaction the first half of 2010).
- While both heavy overdrafters who did and did not opt in experienced a reduction in fees per account in the second half of 2010, the reduction in fees for those who DID NOT opt in was \$347 greater, on average, than for those who did opt in. For heavy overdraft users who did not opt in, their fees dropped by 63% or over \$450 per account.
- Overdraft fees represent 61% of fee revenue generated by consumer checking accounts among the study banks.
- There was a wide variation in data among the study banks. For example, the mean overdraft fees paid by accountholders who had at least one NSF/OD item in 2011 varied by over \$201 across the study banks; the highest involuntary closure rate was 14 times more than the rate at the bank with the lowest rate.
- CFPB Director Cordray observed that “overdrafts can provide consumers with needed access to funds.” The report concluded that overdraft coverage should not be eliminated and there has been progress in some areas in protecting consumers from harm. But, some consumers are still getting hit with heavy fees or account closures and the wide variations across institutions in overdraft policies and practices indicate that certain practices and procedures merit further analysis to determine whether they warrant further regulatory action.