NEW YORKERS FOR RESPONSIBLE LENDING

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New York Consumer Advocates Urge NY-based House Financial Services Committee Members (Reps. Garbarino, Lawler, Meeks, Torres and Velazquez) to Oppose Bill to Overturn CFPB Overdraft Fee Rule

WASHINGTON, D.C. – On Wednesday March 5, the Republican-led House Financial Services Committee is expected to vote on a controversial bill to prevent the Consumer Financial Protection Bureau's (CFPB) finalized overdraft fee rule from going into effect on October 1, 2025.

The CFPB's overdraft fee rule will reduce big bank overdraft fees from $35 per transaction down to $5, a move that will save the 23 million households in the United States that pay overdraft fees $5 billion annually, or $225 per family.

The rule closes a paper-check era loophole that has promoted abusive practices and allowed the biggest banks to earn billions in profits on the backs of the nation's most economically vulnerable families. The overdraft rule will help everyone, but especially families that are struggling with high prices and making ends meet. The rule only applies to the nation's largest banks and credit unions with assets over $10 billion.

"Steep overdraft fees have long been a cash cow for banks that have enabled them to rake in billions of dollars in extra profits at the expense of consumers least able to afford it," said Chuck Bell, advocacy program director at Consumer Reports, based in Yonkers, NY. CR had urged the CFPB to limit the costly fees and delivered a petition signed by more than 25,000 consumers calling for the Bureau to take action in April 2024.

"These fees really amount to short-term, high-interest loans that penalize economically vulnerable consumers and make it harder for them to keep their heads above water financially," Bell said." The CFPB's rule will go a long way toward protecting consumers by limiting these charges and ensuring they are reasonable and proportional to the actual costs banks face to cover overdrafts."

"Consumer and community organizations especially urge Rep. Mike Lawler and Rep. Andrew Garbarino to oppose efforts to overturn the CFPB's vital rule to limit predatory and excessive overdraft fees," Bell said. "We have sent a detailed letter from our New York and national coalition partners to the New York House members who serve on the House Financial Services Committee, and we know this is going to be an extremely close vote. We urge Rep. Lawler and Rep. Garbarino to vote to protect economically struggling New Yorkers, instead of siding with the megabanks on this critical issue.

"Given the disproportionate impact of financial junk fees on low-income people and people of color, limiting excessive overdraft fees is an urgent civil rights and economic justice issue," Bell said.

Representatives Gregory Meeks, Ritchie Torres and Nydia Velasquez, all Democrats, also serve on the House Financial Services Committee and are expected to vote to uphold the overdraft fee rule.

As noted by the CFPB, large banks typically charge $35 for an overdraft loan today, even though the majority of consumers' debit card overdrafts are for less than $26 and are repaid in three days, which translates into an annual percentage rate (APR) of over 16,000 percent. The burden of overdraft fees falls most heavily on low- and moderate-income customers who make under $65,000 a year. Black consumers are 69 percent more likely and Hispanic customers are 60 percent more likely than white consumers to live in a household charged at least one overdraft or non-sufficient funds (NSF) fee in the past year.

The CFPB overdraft fee rule would sharply reduce a major category of financial "junk fees," and help hundreds of thousands of low- and moderate-income consumers to retain their bank accounts and remain within the mainstream financial system. Excessive overdraft fees can lead to account closures and negative information being reported to credit reporting agencies such as ChexSystems, which can keep a customer from being able to open an account at another bank.

In part because of high fees and minimum balance requirements, many consumers are currently unbanked. According to a 2023 study by the FDIC, 5.6 million households at the national level do not have bank accounts (4.2% of all households). Nationwide, 12.2% of Native American, 10.6% of Black, and 9.5% of Latino households are unbanked, compared to only 1.9% of white households.

In 2021, there were an estimated 452,471 unbanked households in New York State, who do not have bank accounts – some 5.9% of the state's total households. In New York City, 305,700 households (9.4%) did not have a bank account.

In New York state, overdraft fees are a critically important pocketbook issue for many residents. The United Way estimates that 45% of New York households are "already one emergency away from financial ruin." According to a "Household Survival Budget" developed by United Way, more than four in ten New York households can't afford the basics of housing, food, health care, technology, child care, and transportation. Some 31% of households in the state are characterized as "Asset-Limited, Income-Constrained, Employed (ALICE)" which means they are struggling to pay for necessities and living paycheck to paycheck - in addition to 14% of households who live below the federal poverty level.

For this large number of people living paycheck to paycheck, a cascading series of $35 overdraft fees can be the catalyst for missing rent payments and even facing eviction, or being unable to afford other urgent household expenses like groceries and medicine.

Seniors and other consumers on fixed incomes are especially burdened by multiple fees that can accrue from overdrafts. Edward from New York told Consumer Reports:

> We use a local bank, and their fee is $35.00 for an overdraft. Trouble is, they deduct that charge BEFORE their totals, causing even more overdraft fees. It's just crazy. and they will overdraft you for the overdraft fee. As an elderly couple this really weighs down because we are fixed income. and with food prices being what they are it is easy to overdraft :(.

Another consumer from New York City expressed concern that banks such as Well Fargo charge overdraft fees when they could have simply declined to pay the item when a bank account has insufficient funds. The consumer told the CFPB in an online complaint:

> I am writing to formally express my concern and frustration regarding the handling of recent charges to my account, which resulted in overdraft fees and a significant negative balance. Despite having insufficient funds, my account was allowed to go negative due to charges from XXXX that were not rejected. Instead, these charges were processed against my debit card, pushing my account into overdraft and incurring substantial fees.
>
> I am currently experiencing financial hardship, making it extremely challenging to bring my account back to a positive balance. I expected XXXX XXXX systems to safeguard my account from going into the negative by rejecting charges when there are insufficient funds available. Allowing these transactions to go through not only led to fees but also put me in a difficult financial position that could have been avoided.

Many New York and national organizations have written to the NY House Financial Services Committee members in support of the CFPB overdraft fee rule. (See the New York coalition letters to Rep. Lawler and Rep. Garbarino.) New Yorkers for Responsible Lending is a statewide coalition of 160 consumer, senior, legal services and community organizations. In addition, over 200 national, state and local organizations have also signed a national coalition letter circulated by the National Consumer Law Center in support of the overdraft fee rule.

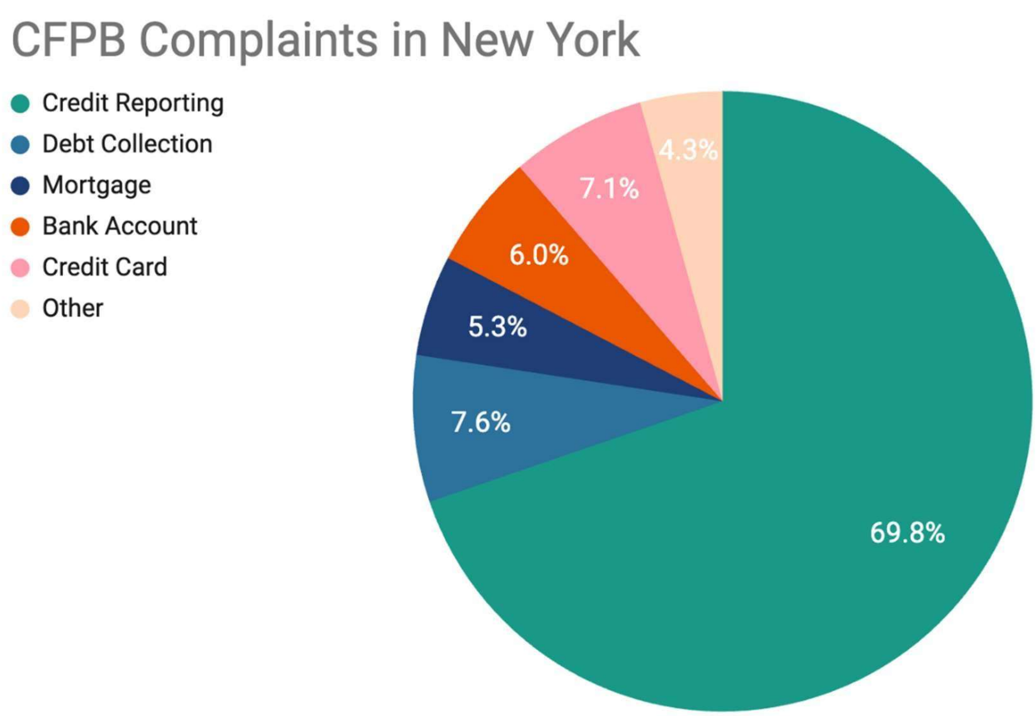
The future of the CFPB itself is somewhat uncertain, as the Trump Administration's DOGE team led by Elon Musk entered the agency in early February. Temporary director Russell Vought issued stop-work orders for virtually all rulemaking, enforcement and supervision work, and dozens of CFPB employees have been fired and laid off. The stop-work orders are being challenged in court and have been criticized by over 200 members of Congress. In court papers filed last week, the Trump administration acknowledged it did not intend to completely halt work at the agency, and Jonathan McKernan, a regulator currently working at the FDIC, has been nominated to serve as the agency's new director, and appeared at a Senate confirmation hearing on Thursday, February 27.

The CFPB Protects Consumers in New York

The CFPB protects consumers by regulating the financial marketplace and holding financial institutions accountable for unfair, abusive, and deceptive practices. In the last 14 years, t**he CFPB has secured over $21 billion in relief for over 200 million people**.

Since 2011, consumers in New York have submitted **more than 478,000 complaints about financial services issues** to the CFPB. Below are the top financial issues reported by consumers in New York.

Consumers can submit a complaint to the CFPB by visiting: https://www.consumerfinance.gov/complaint/



Data Source: *Consumer Complaint Database*. Consumer Financial Protection Bureau. Retrieved January 2025. https://www.consumerfinance.gov/data-research/consumer-complaints/search/?chartType=line&dateInterval=Month&dateRange=All&date_received_max=2025-01-21&date_received_min=2011-12-01&lens=Product&searchField=all&subLens=sub_product&tab=Trends