



NEW YORKERS FOR RESPONSIBLE LENDING

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CFPB Saves New York State Constituents Millions with Final Rule on Overdraft Fees

New Yorkers Must Urge Congress to Support the Cap on Junk Overdraft Fees

New York — Consumers in New York State burdened by abusive overdraft fee practices will receive some long overdue relief after today's announcement that the Consumer Financial Protection Bureau (CFPB) has finalized its overdraft rule. The rule will curb fees from \$35 to \$5, and [save consumers \\$5 billion](#) nationwide. The CFPB estimates that the new rule will save \$225 annually per household that pays overdraft fees.

The CFPB's rule will prevent big banks from charging huge junk overdraft fees that burden families with hundreds of dollars a year and push people out of the banking system. The rule will promote straightforward, affordable forms of coverage protection.

From 2019 - 2021, over \$209 million in overdraft, NSF and similar fees were extracted from New York families, averaging \$69.8 million a year, according to a 2023 study examining overdraft fees conducted by the NYS Department of Financial Services. Fees are disproportionately imposed on economically disadvantaged minority consumers. Average fees ranged from \$31.33 to \$24.67; over one-third of financial institutions were found to charge as many as six fees totaling \$210 per day and only 10% of financial institutions offered any grace period. Unclear disclosures, lack of transparency regarding the size of fees and how they are incurred, and unfair sequencing practices contributed to the problem for consumers.[1]

"By finalizing the overdraft rule as part of its ongoing efforts of tackling junk fees, the CFPB is protecting ordinary families from the harmful practices of big Wall Street banks. Our state, which recognizes the destabilizing impact of overdraft fees, is encouraging our senators and representatives to support the rule and put money back in the pocket of New York families," said Matthew Parham, an attorney with the Western New York Law Center in Buffalo and chair of the steering committee of New Yorkers for Responsible Lending. "Huge back-end overdraft fees are predatory and target consumers of color and low-income families, but everyone can be hurt

from abusive overdraft fee practices. People are at the whims of intentional predatory overdraft actions by big banks.”

The CFPB action to protect consumers provides clear rules of the road to ensure consistency and clarity with overdraft products offered by the largest banks and financial institutions.

The new rule could face the threat of being overturned by Congress using the Congressional Review Act (CRA), however, which allows Congress, with the President’s approval, to overturn rules using expedited procedures and a simple majority vote and limited debate.

“New Yorkers should urge members of Congress and President-elect Trump to stand with struggling families over big banks seeking to remove the new \$5 cap on overdraft fees implemented by the new rule,” said Chuck Bell, financial policy advocate at Consumer Reports, and co-chair of NYRL’s Consumer and Insurance Working Group, “We urge every member of New York’s Congressional delegation to protect this vital rule from interference by large banks opposed to reasonable overdraft fee limits. If big banks get their way, New York consumers will lose protections they need to support their day-to-day finances.”

Additional information can be found here:

https://files.consumerfinance.gov/f/documents/cfpb_overdraft-credit-very-large-financial-institutions_fact-sheet_2024-01.pdf

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[1]Consumer Fee Practices in New York: A Report on Overdraft, non-sufficient Funds, and Similar Fee Practices of New York-Regulated Depository Institutions, Pursuant to Chapter 380 of the Laws of 2022, NYS Department of Financial Services, July 14, 2023, available at https://www.dfs.ny.gov/system/files/documents/2023/07/rpt_20230714_consumer_fee_practices_nys.pdf.