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Reed and Durbin Support CFPB Inquiry into Overdraft Fees

WASHINGTON, DC – U.S. Senators Dick Durbin (D-IL) and Jack Reed (D-RI) today released the following statements after the Consumer Financial Protection Bureau (CFPB) announced it is launching an inquiry into checking account overdraft programs to determine how these practices are impacting consumers. The CFPB also announced it is developing a “penalty fee box” – a disclosure on a consumer’s checking account statement that would highlight the amount overdrawn and total overdraft fees charged. The Federal Deposit Insurance Corporation (FDIC) found in 2008 that consumers who overdrew 20 or more times per year paid an average of \$1,610 in overdraft fees.

“I am pleased with the Consumer Financial Protection Bureau’s commitment to promoting transparency in checking account fees and to curbing abusive overdraft fee practices,” said Durbin.

“When consumers have upfront, honest information about financial product fees and terms, they are able to make better financial decisions. As the Bureau moves forward with its process, I will work with them to encourage clear and transparent disclosures for all key checking account fees and terms.”

“So-called overdraft ‘protection’ fees can seem like an oxymoron when they cost consumers \$40 in penalties for overdrawing on a \$2 dollar cup of coffee. These fees didn't even exist fifteen years ago, but today banks make billions of dollars off them, and I hope the CFPB’s investigation will spur stronger consumer protection standards,” said Reed.

In November, Durbin and Reed sent a letter to Raj Date, Acting Director of the Consumer Financial Protection Bureau, asking the consumer watchdog to quickly require financial institutions to

post on their websites a standardized, concise and consumer-friendly disclosure form that lists the fees and key terms associated with checking accounts. They also called on the nation's financial institutions to voluntarily adopt a bank account fee disclosure form designed to make checking account terms and fees transparent and easy for consumers to understand.

Since Durbin and Reed made the call, several banks and credit unions – including Chase, Inland Bank, Pentagon Federal Credit Union and North Carolina State Employees' Credit Union – have agreed to use a disclosure form based on The Pew Charitable Trusts' Safe Checking in the Electronic Age Project. The form outlines all the basic checking account terms and conditions – including ATM fees, interest rates, overdraft penalties, and account closing fees - in a concise, easy-to-read, one-page format. Currently, the median length of checking account disclosures is 111 pages, according to a Pew study of the nation's 10 largest banks.