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Research and Public Policy

BREAKING NEWS

**New Proposed CFPB
Overdraft Rule Proposal
Would Protect Families
From Exorbitant Junk Fees**



HOOSIERS FOR RESPONSIBLE LENDING

For Immediate Release

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Hoosiers for Responsible Lending Praises Proposed Overdraft Rule

Today, the Consumer Financial Protection Bureau (CFPB) has taken a strong step to restore the balance between American families and big financial institutions by introducing a new overdraft rule to prevent banks from profiting from our financial insecurities. At the Institute, we support this step as a measure that would protect all Americans, including many Hoosiers, from what amounts to exorbitant short-term credit. Director of the Institute and Hoosiers for Responsible Lending Co-Chair, Erin Macey, Ph.D., said, "As a proud leader in the fight to protect Hoosiers from financial drains, we are excited about this proposed rule. We believe that Hoosiers should not face overly punitive fees when they are already struggling to make ends meet."

Overall, overdraft fees add up to billions of dollars each year, most of which comes from the households at the bottom of the economy. It's a terrible way for a market to work - on surprise fees charged when a consumer can least afford it. Meanwhile, the banks would like to have it both ways - they will contend that overdraft privileges allows people to make ends meet when they are low on funds - but also that overdraft is not a form of credit, subject to TILA disclosures and protections against "fee harvesting." When banks apply an expensive overdraft fee, it should be considered a form of credit, the fee should be a finance charge, all subject to the regulations for credit. Banks don't need a \$35 fee to cover a short-term funds insufficiency when [the majority of consumers' debit card overdrafts are for less than \\$26 and are repaid within three days.](#)

"This new rule will protect thousands of Hoosiers from junk overdraft fees that have burdened financially vulnerable Hoosiers and choke economic opportunities," said Andrew Bradley, Policy Director for Prosperity Indiana and Hoosiers for Responsible Lending co-chair. "Hoosiers who fall prey to overdraft fees can see paychecks depleted, credit damaged, and dreams of homeownership and a better life denied. We applaud the CFPB for taking leadership to protect ordinary Hoosiers from exorbitant overdraft fees."

With the new rule, the CFPB has restored reasonableness to a market that has gotten out of touch. In the past, overdraft was a courtesy service, but now it is a widespread mechanism that takes the most from bank customers who can least afford it. Personal finance company Bankrate found [91 percent of checking accounts](#) in their survey were still exposed to overdraft fees. We need this new rule to ensure that consumers, especially the most financially vulnerable, are treated fairly. Profiting from financial insecurity is the opposite of relationship banking. We want a system where banks do better when consumers do better, not one where our lowest-income Hoosiers pay them most.

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About the Indiana Community Action Poverty Institute

The Indiana Community Action Poverty Institute conducts research and promotes public policies to help Hoosier families achieve financial well-being. We value, gather, and translate quantitative and qualitative data to communicate the opportunities and challenges that Hoosiers experience. We advance well-being by promoting evidence-based solutions and

building coalitions to engage in direct and strategic conversations with policymakers and the public.

About Hoosiers for Responsible Lending

Hoosiers for Responsible Lending was created by a network of advocates working to empower Hoosiers who have been affected by any form of predatory lending. We raise awareness of predatory practices across Indiana in order to hold lenders accountable and create attainable pathways to wealth building for all Hoosiers. Our alliance includes veterans organizations, faith communities, consumer groups, and social service providers who recognize both the benefits of equitable, responsible lending and the damages of predatory lending.