

Regions Bank's overdraft-free account balances profitability with customer demand

Article

The news: The Birmingham, Alabama-based bank has [announced](#) a new checking account, dubbed “**Regions Now Checking**,” that carries no overdraft or nonsufficient funds (NSF) fees.

The account comes with a \$5 monthly fee and can be linked to other Regions bank accounts to offer fee-free overdraft coverage to those accounts as well.

More on this: Regions Now Checking is the latest sign of a broad backlash against overdraft fees:

- On the **legislative** side, a new state [law](#) in New York requires banks that maintain checking accounts to **pay checks by the order of their receipt**. It also gives depositors whose checks bounce because of insufficient funds the right to have smaller checks honored if a balance is large enough to cover them. Overdrafts were also a major theme at recent congressional hearings with CEOs of major banks, per Banking Dive.
- On the **market** side, a growing number of **banking players have rolled out liquidity assistance features that curb customers' exposure to overdrafts**. Both neobanks like [Chime](#) and [Varo](#) and incumbents such as [PNC](#) and [Fifth Third Bank](#) offer these features. Other banks—like [Ally](#)—have gone one step further and done away with overdraft fees altogether.

Regions' offering is a particularly strong indicator of the pressure that banks are under to bend to anti-overdraft sentiment.

- **A June 2020 study of the top 20 banks by total 2019 overdraft and NSF fee income** revealed that those fees accounted for 17.7% of Regions' non-interest income, making it the fifth most reliant on such fees by that metric, according to Banking Dive.

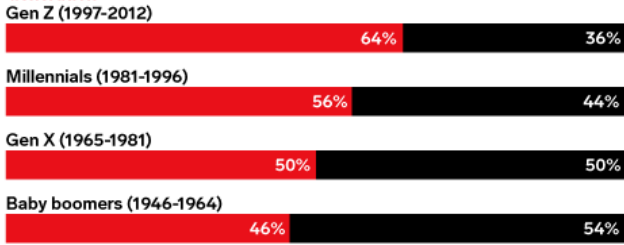
The bigger picture: Regions' strategy of offering an overdraft-free account with a monthly fee is a middle-of-the-road approach that helps cover lost fee revenue while easing customers' minds.

- Regions' new account resembles **TD Bank's** strategy for offering customers an overdraft-free account—TD's **Essential Banking [account](#)** costs \$4.95 per month, doesn't allow most overdrafts and charges no fees on those that occur.
- This is a balanced approach: Though the fee associated with the account means it hasn't completely axed overdrafts without any caveats (as Ally has), it's still simpler for clients to use than offerings from other banks that try to minimize fees by giving customers liquidity assistance (such as PNC's **Low-Cash Mode**).
- Walking this line lets Regions offer overdraft-conscious customers a no-brainer option while mitigating the blow to its bottom line from reducing overdraft revenue.

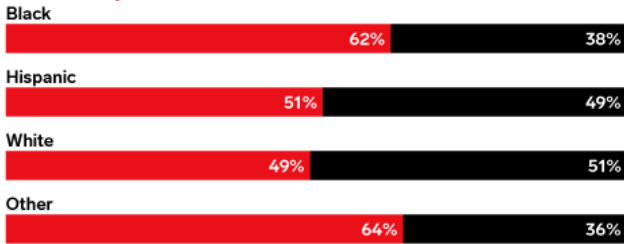
Fairness of Overdraft Charges According to US Adults, June 2021

% of respondents

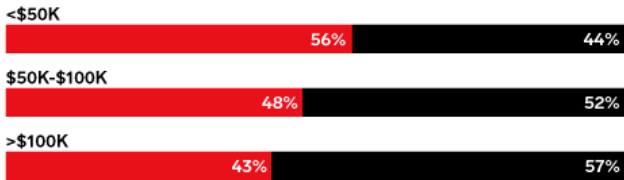
Generation



Race/ethnicity



Income



Total



■ Unfair ■ Fair

Note: n=2,200

Source: Morning Consult as cited in company blog, June 15, 2021

267835

InsiderIntelligence.com