

# Regions offers a case example of an overdraft-reliant bank weaning itself off fees

Article

**The news:** Regions is looking to make up revenue that it's forgoing due to reducing its customers' exposure to overdraft-related charges, per American Banker's interview with the

regional US bank's chief financial officer, David Turner.

**What changes did it make?** In September 2021, Regions [launched](#) a new checking account, called Regions Now Checking, which doesn't have overdraft and NSF fees. The newer account can be linked to other Regions accounts, and carries a \$5 per month charge.

This month, Regions also [announced](#) that it will lower its customers' exposure to overdraft fees. Measures that it will phase in this year include:

- **Dropping transfer fees**, which affect people who move funds from linked accounts to cover their overdrafts, by the end of Q1 2022.
- **Axing non-sufficient funds (NSF) charges**, which will be effective by the end of Q2 2022.
- **Capping the number of Paid Overdraft Item fees that customers can incur to three per day**, which is also slated to be effective by the end of Q2 2022.
- Offering **small-dollar credit lines of up to \$500** for people who meet their short-term financial needs, by the end of Q3 2022.
- Rolling out **early direct deposit access of up to two days**, also by the end of Q3 2022.

#### **Impact on Regions' revenue, by the numbers:**

- According to a transcript of the bank's Q4 2021 earnings call, Turner [stated](#) that the overdraft-related changes are expected to cause a **20% to 30% drop in service-charges revenue** compared to 2019, with an **estimated \$50 million to \$70 million decline this year**.
- Since 2011, the CFO also said, Regions has experienced about a 50% annual contribution drop from overdraft and NSF revenue.

**What revenue will replace the lost fees?** In the American Banker interview, Turner outlined how Regions is diversifying its revenue mix through income generated from the bank's three acquisitions, which [wrapped up](#) in Q4 2021.

- It closed its deal with **EnerBank**, a point-of-sale lender focused on home-improvement projects.
- It now owns **Clearsight Advisors**, which provides mergers and acquisitions (M&A) advice to technology companies.
- It added **Sabal Capital Partners**, an origination and servicing company for lending in commercial real estate.

Turner told the publication that Regions is exploring further deals in corporate banking, wealth management, and certain consumer products.

**The bigger picture:** Regions' move away from overdraft fees represents the new normal for prominent US banks. In just over the past month, measures to lower overdraft exposure have been unveiled by [Bank of America](#), [JPMorgan Chase](#), [Wells Fargo](#), [Truist](#), and [U.S. Bank](#).

**The big takeaway:** Regions's adaptation to the loss of overdraft-related income is notable because of the company's [relative dependence](#) on fees:

- In 2019, it was seventh in the absolute amount, among 20 sampled banks for a Center for Responsible Lending study.
- However, it placed fifth when measured by overdraft and NSF fees as a proportion of net interest income, at 17.7%.

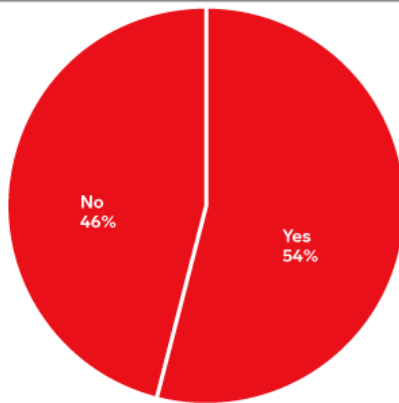
By aligning its policy with its competitors' and helping consumers tap into other sources of short-term liquidity—while also successfully using deals to diversify its revenue sources—Regions is pointing a potential way forward for other financial institutions that rely heavily on overdraft fees.

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**US Adults Who Have Been Charged an Overdraft Fee or Minimum Account Balance Fee by Their Primary Bank, Aug 2021**

% of respondents

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Note: n=4,314

Source: CivicScience as cited in company blog, Aug 17, 2021

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