

# US consumers feel the pain—and banks feel the profit—of record overdraft fees

Article

**The news:** The average amount a customer must pay for overdrawing an account reached \$33.58 in 2021, a record high, and 22 cents above its 2019 level, according to a Bankrate

survey.

**More on this:** Consumers from metropolitan areas around the country have faced fees in line with the national average—with a few catching a small break:

- Philadelphia, Baltimore, and Houston all averaged overdraft fees **over \$35**, with Philadelphia topping the list at **\$35.70**.
- Cincinnati, Los Angeles, and St. Louis rounded out the bottom at **\$30.42**, **\$31.00**, and **\$31.60**, respectively.

**Trendspotting:** Fees have continued to grow even as many of the largest banks are retreating from overdrafts:

- **Regions Bank** introduced a new checking account earlier this month that carries no overdraft or nonsufficient funds fees.
- Last month, **Bank of America** rolled out **Balance Connect**, a service that allows customers to create a prioritized list of up to five outside accounts to automatically transfer funds from in case of an overdraft.
- **TD Bank** launched an overdraft fee-free checking account this summer that requires no minimum balance.
- **Ally Financial** announced in June that it will no longer charge its customers overdraft fees.
- In April, **PNC** started offering users **Low Cash Mode**, a digital solution focused on helping customers avoid overdraft charges through low balance alerts, and a 24-hour grace period in the event of a negative balance.

**The bigger picture:** Banks could face a reckoning on overdrafts due to increased scrutiny over the practice from legislators and regulatory bodies.

- **Rohit Chopra**, the recently confirmed **director of the Consumer Financial Protection Bureau (CFPB)**, could take action to reduce the financial burden of overdraft fees on consumers. The practice has long been in the crosshairs of the regulator, as it is one of the most-complained-about topics the financial watchdog receives.
- New York passed a law this summer that restricts the ways in which banks can process customers' checks—shielding consumers from unintended overdrafts. Banks that maintain checking accounts will now be required to pay checks by their order of receipt.

- In July, Democrats in Congress reintroduced a bill that would make it illegal for banks to charge more than one fee per month.

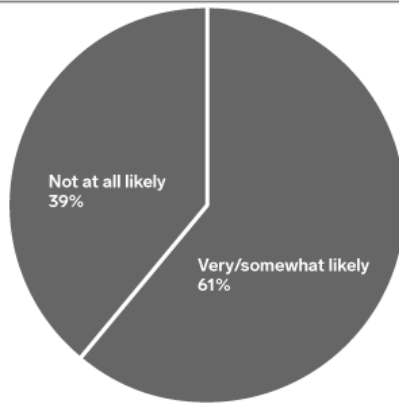
**Rebecca Borné**, senior policy counsel at the Center for Responsible lending, told CBS that, “The fees have become somewhat of a cash cow [for banks] over the past 20 years.” But with mounting pressure coming at banks from all angles in recent months, it’s possible the practice could be put out to pasture.

---

**Likelihood of US Adults Changing Their Primary Bank to Avoid Monthly Service, Overdraft, or Other Related Fees, Aug 2021**

*% of respondents*

---



---

*Note: n=3,072*

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

268710

eMarketer | InsiderIntelligence.com