

Citizens joins overdraft rollback with grace period feature, no-fee checking

Article

The news: Citizens [announced](#) that it's taking steps to help customers avoid overdraft fees:

- The bank's **grace period feature**, called **Citizens Peace of Mind**, deployed on October 1, 2021, lets customers get their overdraft charges automatically rolled back by the end of the next business day if they use transfers or deposits to bring their accounts up to positive available balances.

- A **no-overdraft-free checking account** will be available to customers in **Q1 2022**, and it will comply with **Bank On National Account** standards.

Trendspotting: Citizens' anti-overdraft offerings are the latest example of a backlash in the US against the charges, which is following two different paths:

- **Market:** A growing number of banking players are offering ways for customers to avoid overdrafts, primarily through **liquidity management tools**. These players include neobanks like **Chime**, along with incumbents such as **Bank of America**, **Fifth Third**, and **PNC**. Meanwhile, digital-only bank **Ally** has gone further by **dropping overdraft fees entirely**.
- **Legislative:** A new state law in New York **requires** banks that maintain checking accounts to **pay checks in their order of receipt**. Deposits with bounced checks due to insufficient funds will also have **the right to have smaller checks honored** if balances are enough to cover them. Additionally, a new California state law will restrict overdraft fees by **limiting where state public assistance funds can be deposited**, per American Banker.

The big takeaway: Citizens' actions against overdraft fees could help it garner good will among its customers and prospects. But the bank will need to replace any revenue it foregoes through these measures.

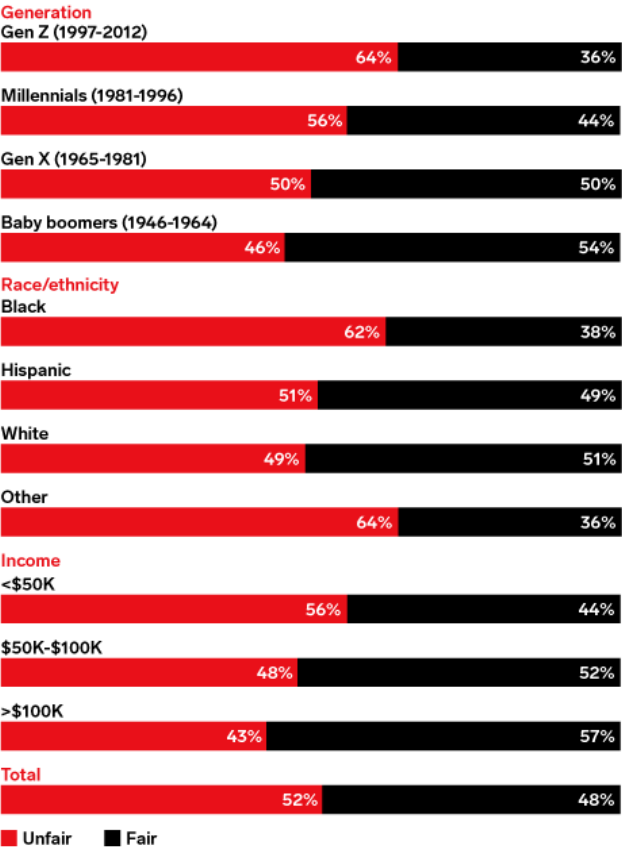
The bank is relatively dependent on overdraft fees, per a 2020 **report** from the **Center Responsible for Lending**.

- The report shows that Citizens, as of 2019, relied on overdraft and non-sufficient funds (NSF) fees at a proportion equating to **12.2% of its noninterest income (NII)**.
- In contrast, the proportion for **JPMorgan Chase** is just **4.4%**, while Bank of America and **Wells Fargo** are both **only at 6.7%**.

Citizens could offset lower revenue in the overdraft/NSF category by charging for its new checking account—**Regions Bank** is **taking** this approach—or it could just take the hit and seek new revenue elsewhere.

Fairness of Overdraft Charges According to US Adults, June 2021

% of respondents



Note: n=2,200
Source: Morning Consult as cited in company blog, June 15, 2021

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