



April 1, 2024

BY EMAIL: 2024-NPRM-OVERDRAFT@cfpb.gov
Comment Intake—2024 NPRM Overdraft
c/o Legal Division Docket Manager
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

**Re: Overdraft Lending: Very Large Financial Institutions
Docket No. CFPB-2024-0002**

To whom it may concern:

We write in strong support of the Consumer Financial Protection Bureau's (CFPB) proposed rule governing Overdraft Lending: Very Large Financial Institutions. The proposed rule is a crucial step toward addressing abusive and predatory financial practices that extract wealth from low-income neighborhoods and Black and brown communities.

New Economy Project's mission is to build an economy that works for all, based on cooperation, equity, social and racial justice, and ecological sustainability. Since our organization's founding in 1995, we have worked closely with hundreds of community organizations to challenge systemic discrimination by Wall Street banks and other financial services companies that harm New Yorkers and that perpetuate poverty, inequality, and segregation in New York City neighborhoods. As part of our work, we have exposed the rampant wealth extraction that results from abusive overdraft products.¹ We also work with neighborhood groups to create and strengthen wealth-building initiatives like community-based financial cooperatives, public banks, community land trusts and mutual housing, worker cooperatives, and more.

¹ New Economy Project, *As NYC Council Holds Hearing on Groundbreaking Public Banking Bills, New Analysis Shows NYC's "Designated Banks" Extracted 5 Billion in Predatory Overdraft Fees During COVID-19* (Apr. 28, 2021), <https://www.neweconomynyc.org/2021/04/as-nyc-council-holds-hearing-on-groundbreaking-public-banking-bills-new-analysis-shows-nycs-designated-banks-extracted-5-billion-in-predatory-overdraft-fees-during-covid-1/>; New Economy Project, et al., *How Banks Sell Overdraft: Results of Overdraft Mystery Shopping in Four Key States* (July 2014), https://www.neweconomynyc.org/wp-content/uploads/2014/12/Final_Report.pdf.

We echo the comment submitted by the National Consumer Law Center and other consumer, civil rights, legal services, and community groups in support of the proposed rule. Specifically, we urge the CFPB to:

- Set the benchmark fee at \$3, not \$14, as some banks have already shown that they can provide overdraft coverage without charging any fees;
- Limit the number of high-cost overdraft fees a person can incur in a year, to prevent cycles of extraction;
- Prevent evasions of the rule by requiring fees to be included in APR disclosures;
- Promulgate a subsequent rule on overdraft to cover all financial institutions; and
- Stop nonbanks that offer banking apps from evading overdraft fee rules, including by cracking down on “tips” that are just overdraft fees in disguise.

Big banks’ predatory overdraft fees have long exploited low-income New Yorkers and extracted massive sums from low-income neighborhoods and Black and brown communities. During the first year of the pandemic, for example, banks drained \$1 billion in overdraft fees from struggling New Yorkers’ accounts. Research shows that customers with account balances of less than \$350 pay the vast majority of overdraft fees and that the fees disproportionately impact Black and brown account holders, often driving them out of the banking system.²

The CFPB’s proposed rule would prevent big banks from siphoning billions of dollars from people’s pockets through high and hidden overdraft fees. We strongly support the proposed rule and urge its implementation.

Thank you for considering our comments.

Sincerely,



Raquel E. Villagra
Staff Attorney

² Bankrate, *Minorities, Millennials Among Those Who Pay the Most Bank Fees* (Jan. 15, 2020), <https://www.bankrate.com/pdfs/pr/20200115-best-banks-survey.pdf>; Consumer Financial Protection Bureau, *Data Point: Frequent Overdrafters* (August 2017), https://files.consumerfinance.gov/f/documents/201708_cfpb_data-point_frequent-overdrafters.pdf.