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Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Request for Information Regarding an Initiative on Safe Student Banking; Docket No. CFPB–2015–0001

Dear Ms. Jackson:

The [consumer banking project at The Pew Charitable Trusts](#), through survey and market research, studies checking and prepaid accounts offered to retail consumers. We applaud the Consumer Financial Protection Bureau (CFPB) for providing guidance to institutions of higher learning as they make decisions on partnerships that offer financial products to their students. The primary motivation for any such partnership should be the wellbeing of the students. An effective scorecard could assist in this goal.

In considering how best to advise higher education institutions, we urge the CFPB to pay special attention to overdraft policies since, according to a CFPB report, consumers incur billions of dollars in overdraft fees every year.¹ Yet Pew's research of the largest banks in America shows that there is significant variation among banks' overdraft practices.² This research is particularly relevant in the context of student accounts, since our data show that younger and lower income consumers are more likely to overdraft using debit cards.³

In its draft scorecard, the CFPB provides a chart that identifies the features of a safe student banking account, which includes no overdraft or insufficient funds fees. While we applaud this nudge toward no fees for overdraft transactions, we recommend that the CFPB provide more information and a stronger warning to educational institutions about partnering with banks or credit unions that charge overdraft or insufficient funds fees, or at least work to limit the number of fees charged.

The current instructions in the model scorecard simply ask that the respondent financial institution disclose whether the fee is charged, and if so, the amount of the fee. Given the prevalence of overdraft programs with their attendant fees, it is likely that many financial institutions that wish to partner with colleges and universities will assess these charges. Pew's research shows that the median price of this fee is \$35 and that consumers can incur multiple fees in a single day, as well as extended overdraft fees if the amount owed is not promptly paid back. These expensive charges put students at risk of incurring significant debt in a short period of time. Promoting partnerships that exclude these types of fees eliminate this concern for students.

In addition, a financial institution's overdraft policies regarding when and how they assess fees could affect the overall amount of debt a student incurs. We suggest that the scorecard be amended to include inquiries into the following:

- the order in which transactions will be debited and credited, in detail
- the maximum number of overdrafts that may be charged per day (or any other timeframe)
- any de minimis exceptions to the overdraft fee
- extended (or “sustained”) overdraft fees, including the amount of the fee and the number of days that pass before it is charged
- alternatives to overdraft that could be less expensive, including overdraft transfer services
- other information on ways the institution helps customers avoid overdraft fees

Institutions should also inquire into whether financial institutions are clearly advertising overdraft features. Regulation E requires that consumers affirmatively consent before being enrolled in an automated overdraft service for one-time debit and ATM transactions.⁴ However, Pew’s research shows that about half of people who overdraft using their debit card do not remember opting in.⁵ It is important that institutions that offer overdraft services explain in understandable language what the service is and also that transactions are declined at no cost if a customer does not opt in.

We thank the CFPB for this opportunity to comment on the proposed safe student account scorecard and look forward to continuing to work with you. As always, we are available to discuss these comments or any other aspect of our work at any time.

Sincerely,



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¹ Consumer Financial Protection Bureau, Study of Overdraft Programs (June 2013), 14-17, http://files.consumerfinance.gov/f/201306_cfpb_whitepaper_overdraft-practices.pdf.

² The Pew Charitable Trusts, Checks and Balances: 2014 Update (April 2014), 16-30, <http://www.pewtrusts.org/~media/Assets/2014/04/09/ChecksandBalancesReport2014.pdf>.

³ The Pew Charitable Trusts, Overdrawn: Persistent Confusion and Concern About Bank Overdraft Practices (June 2014), 1, http://www.pewtrusts.org/~media/Assets/2014/06/26/Safe_Checking_Overdraft_Survey_Report.pdf.

⁴ Regulation E, 12 C.F.R. § 1005.17 (2015).

⁵ The Pew Charitable Trusts, Overdrawn: Persistent Confusion and Concern About Bank Overdraft Practices (June 2014), 1, http://www.pewtrusts.org/~media/Assets/2014/06/26/Safe_Checking_Overdraft_Survey_Report.pdf.