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Consumers Need Protection From Excessive Overdraft Costs

An evidence-based case for regulation to limit the number and amount of fees

Overview

Over the past several decades, banks have increasingly charged consumers fees, such as for overdraft, to generate revenue on checking accounts. Overdraft programs are marketed as a service provided by financial institutions, but in practice consumers often incur unexpected fees that exceed the original transaction amount.[1] These charges can be levied on debit card, automated clearinghouse (ACH), ATM, checks, and other transactions. Most consumers do not learn of an overdraft for two or more days, and more than two-thirds of overdrafters say they would rather have a transaction declined than incur a $35 fee.[2]

Further, the cost of overdraft programs is borne disproportionately by a small share of financially vulnerable consumers. According to research by the Consumer Financial Protection Bureau (CFPB), less than one-fifth of account holders—those who incur three or more overdraft fees per year—pay more than 90 percent of all overdraft fees triggered by debit cards, checks, and ACH electronic transactions.[3] Similarly, The Pew Charitable Trusts' chartbook *Heavy Overdrafters: A Financial Profile*, shows that "heavy overdrafters"—consumers who pay more than $100 in overdraft and nonsufficient funds (NSF) fees in a year—generally have incomes below the U.S. average, and overdraft fees consumed nearly a full week's worth of their household incomes on average during the past year.

To examine the evolution of bank overdraft programs and their impact on consumers, Pew analyzed bank revenue information as reported to the Federal Deposit Insurance Corp. (FDIC) from 1984 to 2015, as well as fee schedules, account agreements, and supplemental disclosures of 44 of the nation's 50 largest banks. (See Methodology.) This study also incorporates previous survey research on overdraft. Key findings include:

- Service charges on deposit accounts, which include overdraft and NSF fees, have more than doubled while interest income has decreased during the past three decades.
- Most of the largest U.S. banks with consumer checking accounts continue to charge at least $35 each time an overdraft is incurred.
- Many of the largest U.S. banks with consumer checking accounts fail to meet Pew's recommended best practices on overdraft programs. More than 40 percent of these banks process transactions from largest to smallest by dollar amount—which can reduce the account balance more quickly and result in more overdrafts than other methods, such as posting transactions chronologically—and nearly 80 percent allow overdrafts on ATM and debit point-of-sale (POS) transactions.

> Pew urges regulators to ensure that overdraft programs are transparent and designed only for infrequent and accidental occurrences.

To limit the negative financial impact of overdraft fees on the account holders who incur them the most, Pew urges regulators to ensure that overdraft programs are transparent and designed only for infrequent and accidental occurrences using any or a combination of the following:

- Enable banks and credit unions to offer affordable small-dollar loans in place of expensive overdraft penalty programs.[4]
- Make overdraft penalty fees reasonable and proportional either to the financial institution's costs in providing the overdraft loan or to the overdraft amount.
- Allow financial institutions to charge customers a maximum of six overdraft fees in any 12-month period, and limit such fees to one per negative-balance episode (i.e., an overdraft that incurs one or more fees).
- Prohibit banks and credit unions from maximizing overdraft fees when posting deposits and withdrawals.
- Require financial institutions to provide account holders with clear, comprehensive terms and pricing information for all available overdraft options.

This brief explores how overdraft programs at the nation's largest banks affect their customers and rates these banks on whether and to what extent they have adopted Pew's best and good practices for overdraft. It also provides further detail on policy recommendations that would protect consumers and ensure the availability of safe small-dollar credit for those who need it.

The evolution of overdraft

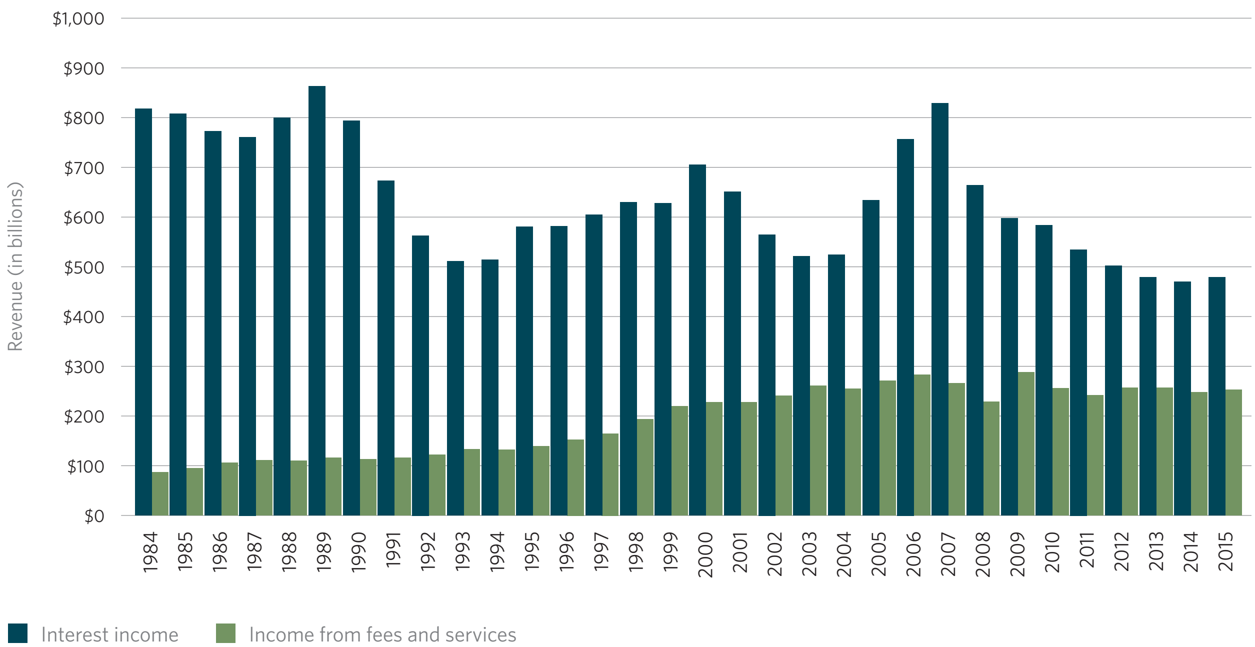
Over the past three decades, fee income has played an increasingly significant role on bank balance sheets.[5] In 1999, the Federal Reserve Bank of Minneapolis noted that increased competition from deregulation and technological innovation was driving banks to seek new sources of revenue to remain profitable.[6] In 2004, research from the Federal Reserve Bank of Chicago showed that the growth of fee income was the result not only of deregulation but also of an emerging sense among banks that fees could diversify their sources of revenue.[7]

Income from fees for services has grown considerably over time. In 1984, fee revenue was small compared with income earned from interest. By 2015, this gap had narrowed substantially. (See Figure 1.)

Figure 1

Fee Revenue Grew as Interest Income Decreased

Inflation-adjusted bank income by source, 1984-2015



Notes: Data are adjusted for inflation using the Bureau of Labor Statistics' average consumer price index for all urban consumers. All dollar amounts are annual year-end figures in 2015 dollars and include all FDIC-insured institutions for each year shown, which included almost 18,000 in 1984 and about 6,100 in 2015. Fee income includes all noninterest revenue components, such as fees on deposit accounts, brokerage, and advisory services; interest income includes revenue from loan payments and investments.

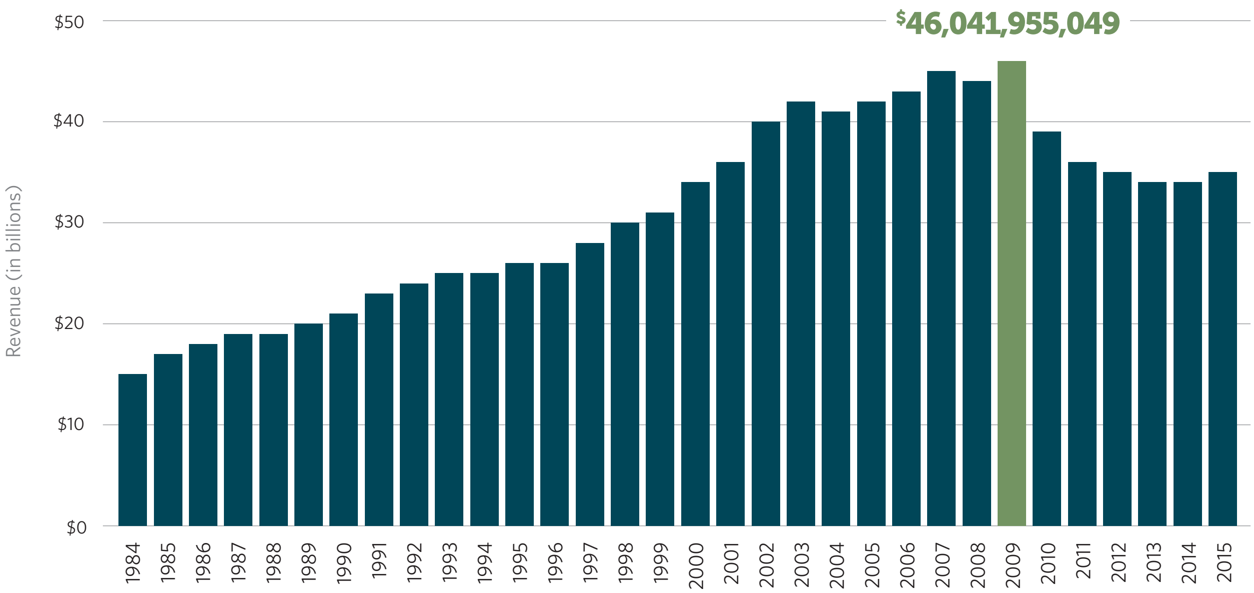
Source: FDIC's Quarterly Banking Profile aggregate time series annual income data

Service charges on deposit accounts include overdraft, ATM, and account maintenance fees. From 1984 to 2015, banks more than doubled their revenue from service charges. (See Figure 2.) Overdraft and NSF fees make up a significant portion of charges levied on consumer deposit accounts.[8]

Figure 2

Service Charges Have More Than Doubled During the Past 3 Decades

Inflation-adjusted deposit account fee revenue, 1984-2015



Notes: Data are adjusted for inflation using the Bureau of Labor Statistics' average consumer price index for all urban consumers. All dollar amounts are annual year-end figures in terms of 2015 dollars and include all FDIC-insured institutions for each year shown, which included almost 18,000 in 1984 and about 6,100 in 2015. In 2009, the Federal Reserve Board amended its regulations to require that account holders opt in to overdraft service on ATM and nonrecurring point-of-sale debit card transactions before banks can charge fees for covering those transactions.

Source: FDIC's Quarterly Banking Profile aggregate time series annual income data

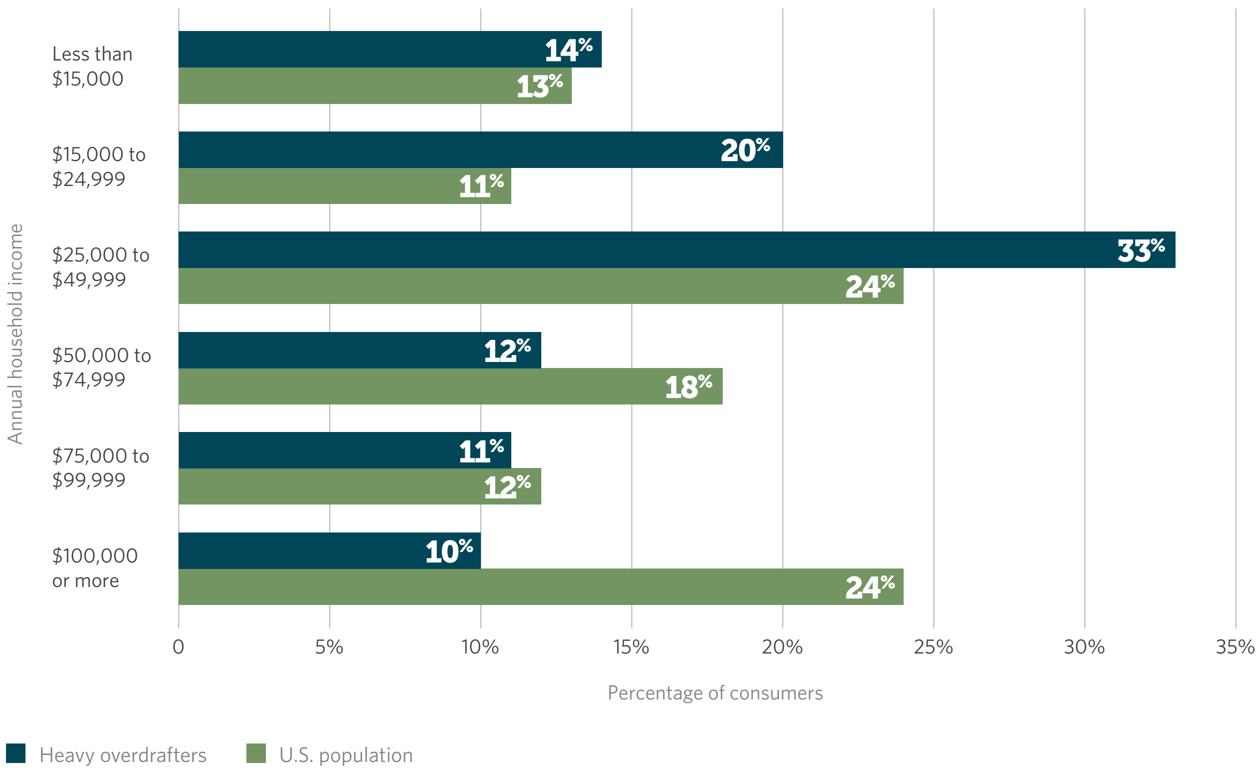
> Overdraft fees are largely incurred by only a small number of financially vulnerable consumers: Just 18 percent of account holders pay 91 percent of overdraft and NSF fees.

In 2015, U.S. banks with assets exceeding $1 billion reported $11.16 billion in overdraft fee and NSF revenue, which constituted nearly two-thirds of all consumer deposit account fee revenue.[9] Proponents of overdraft programs have suggested that fee revenue from these and other services is necessary to provide low-cost checking accounts.[10] However, these fees are largely incurred by only a small number of financially vulnerable consumers: Just 18 percent of account holders pay 91 percent of overdraft and NSF fees triggered by debit cards, checks, and ACH electronic transactions.[11] These customers paid more than three overdraft fees a year, most of them earn less than $50,000 a year (see Figure 3), and 25 percent pay a week's worth of wages in overdraft fees annually.[12]

Figure 3

Nearly 7 in 10 Consumers Who Overdraft the Most Make Less Than $50,000 a Year

Heavy overdrafters compared with U.S. population by annual household income, 2014



Note: Results are based on 304 survey participants who reported paying more than $100 in overdraft fees in 2014. Respondents were asked, "Is your total annual household income from all sources, and before taxes …?" Differences between heavy overdrafters and the U.S. population were significant at the 99 percent confidence level.

Source: U.S. population data from 2014 American Community Survey one-year estimates

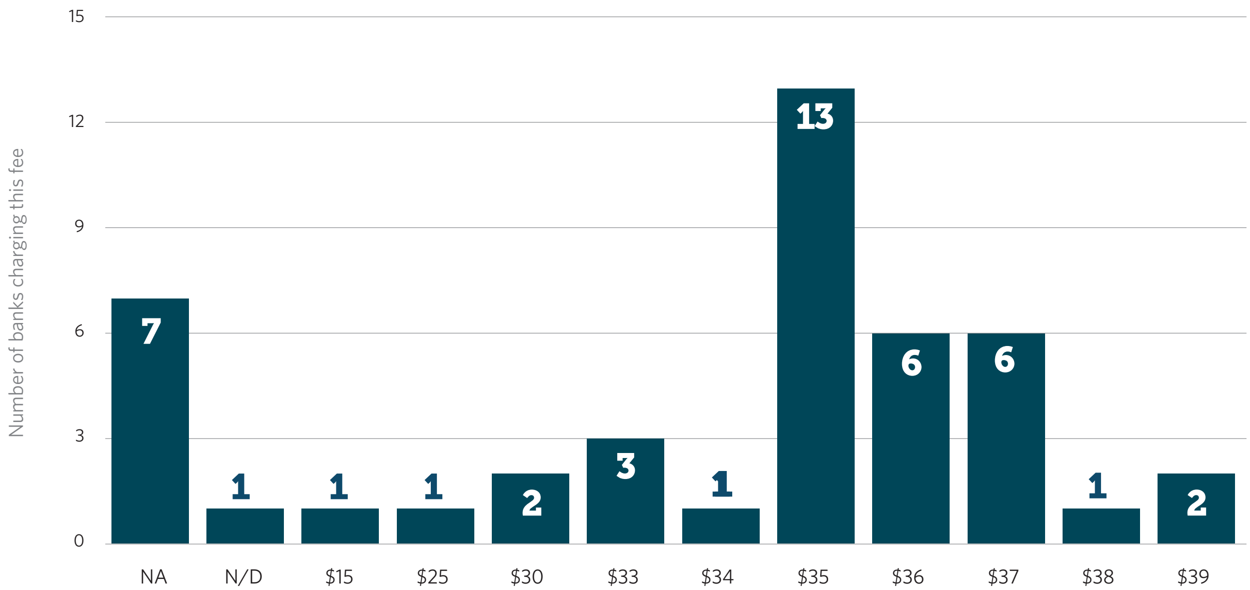
Cost of overdraft fees

Overdraft programs are marketed to consumers as services that provide coverage should an account balance turn negative. In practice, however, the fees incurred are often disproportionate to the original transaction amount and can place a burden on financially vulnerable consumers. Pew found that most of the 44 banks studied charge overdraft penalty fees exceeding $30 per occurrence and that more than 60 percent charge at least $35. The median fee among these banks is $35.[13] (See Figure 4.)

Figure 4

Most of the Largest U.S. Banks Charge $35 or More Per Overdraft

Distribution of overdraft penalty fees, 2016



Notes: Banks that do not allow ATM or POS overdrafts are listed in the chart as not applicable (NA). N/D reflects banks that do not disclose charging overdraft penalty fees in their account agreements.

> Overdraft fees are flat and fixed; debit card overdrafts bear the most disproportionate penalty.

Debit card usage and overdraft

Research from the CFPB has found that the number of consumer checking account transactions increased more than 50 percent from 2000 to 2011.[14] Figure 5 shows that this growth was largely driven by an increase in the use of debit cards. In 2011, debit cards were used for roughly 60 percent of checking account payments, up from less than 20 percent in 2000.[15]

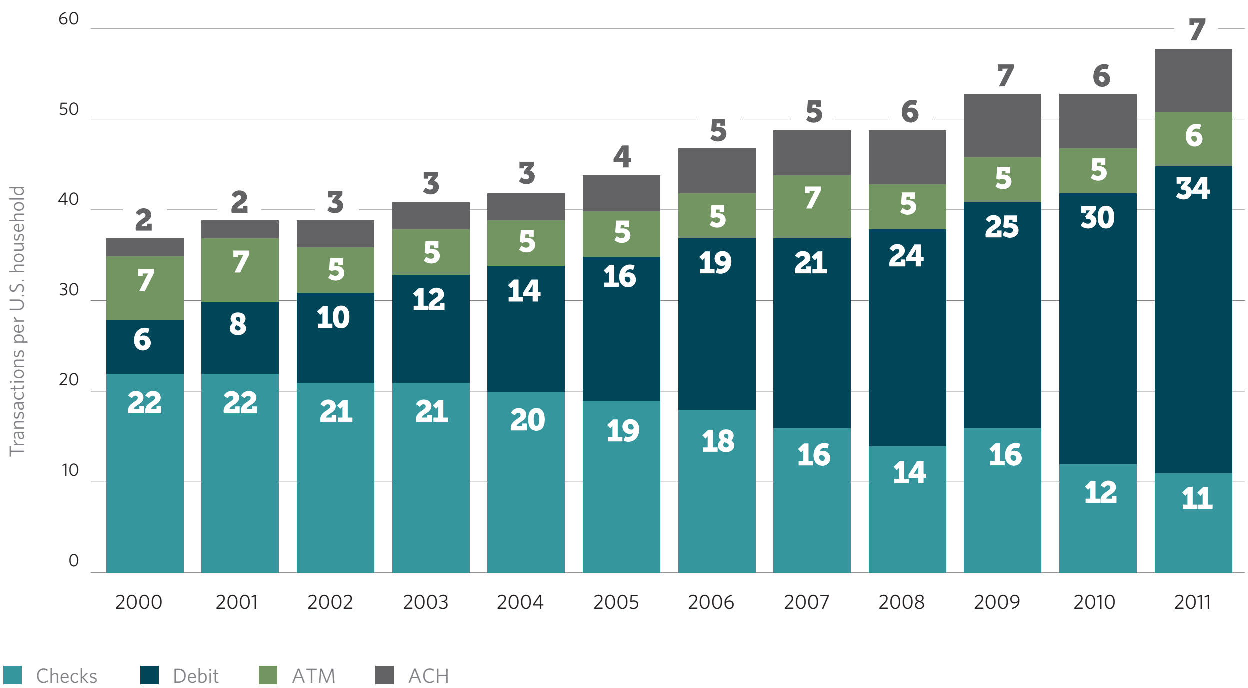
CFPB research shows that among the various types of transactions that can result in overdraft, debit cards carry the lowest median value of all transactions that lead to overdrafts ($24, compared with nearly $100 for ACH, ATM, and check transactions), and Pew's analysis shows that debit transactions are the preferred tool of the most financially vulnerable bank customers.[16] Because overdraft fees are flat and fixed—they are the same whether an account is overdrawn by $10 or $100—debit card overdrafts bear the most disproportionate penalty because they tend to be the smallest transactions.

Heavy overdrafters generally have below-average incomes relative to the U.S. population, and overdraft fees consumed nearly a full week's worth of their household incomes on average during the past year.[17] This formula—a small share of consumers overdrawing most frequently and assuming disproportionate fees on small transactions—means that overdrafts cause some of the most financially at-risk consumers to leave the banking system. In 2015, 60 percent of those without a bank account reported high or unpredictable overdraft fees as one reason for not having an account.[18]

Figure 5

Debit Cards Are the Most Commonly Used Method of Checking Account Payments

Average number of monthly transactions



Source: CFPB, "CFPB Study of Overdraft Programs," June 2013

Best and good overdraft practices

Pew first outlined its set of best and good practices for overdraft services in 2013 and has evaluated banks each year since to track the practices of the largest 50 banks that offer consumer checking accounts.[19] In the four years since Pew began examining overdraft issues, the largest banks have adopted many of Pew's good practices, but few meet all the best-practice standards, especially with regard to declining ATM and debit point-of-sale (POS) transactions. (See Table 1.)

Although adoption of these good and best practices is encouraging, it is voluntary. Regulatory action is needed to ensure adequate, permanent, and consistent protections for consumers against excessive overdraft fees.

Table 1

Banks Can Adopt Policies to Protect Consumers From Costly Fees

Pew's best and good overdraft practices

Best practices	Declining ATM transactions that would cause an overdraft.
	Declining debit point-of-sale overdrafts.
	No reordering of transactions from high to low by dollar amount, which maximizes overdraft fees.
Good practices	Limiting the use of high-to-low reordering.
	Instituting a threshold amount to trigger an overdraft.
	Not charging an extended overdraft fee.
	Limiting the number of overdraft fees charged in one day.

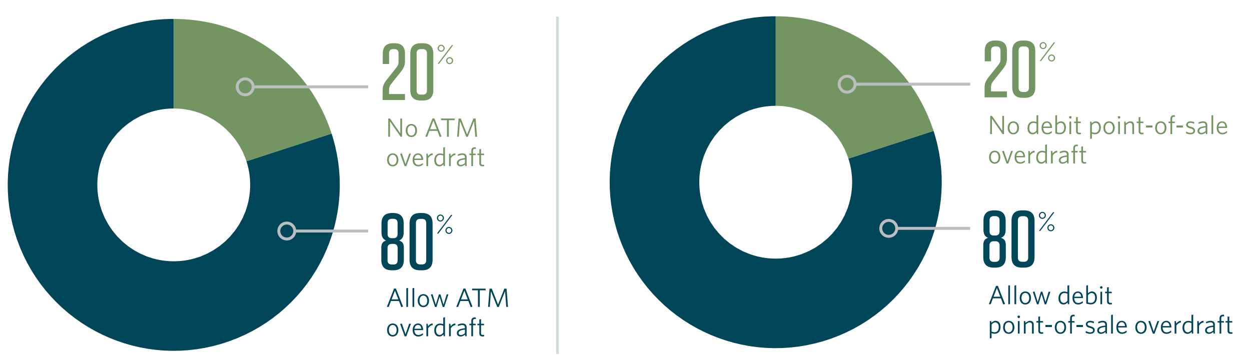
Declining transactions

Because ATM and debit POS transactions happen in real time, banks can protect their customers from unexpected fees by simply declining these transactions at no cost to the consumer. (See Figure 6.) For this reason, disallowing these transactions is a best practice. Most overdrafters say they would rather have a transaction declined than incur a $35 fee.[20]

Figure 6

20% of Large Banks Prohibit ATM and Debit Point-of-Sale Overdrafts

Policies as a share of 44 banks studied, 2016

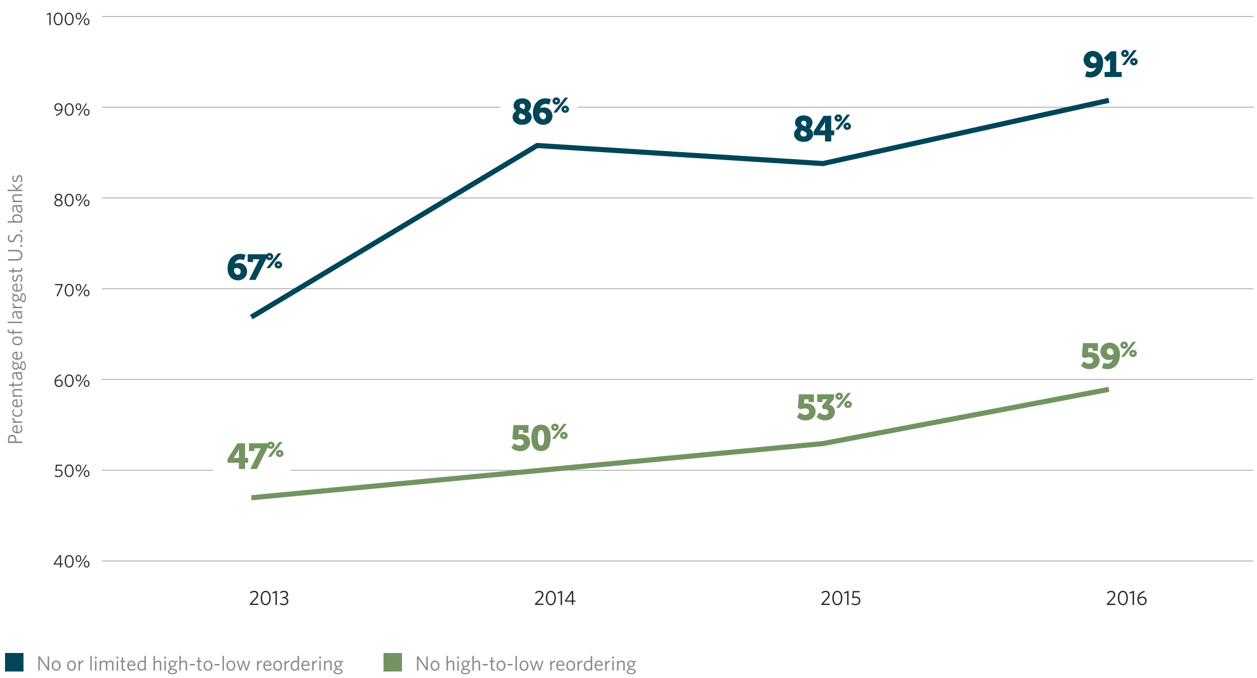


Note: Banks that do not charge a fee for an overdraft, significantly lessening the harm to consumers of overdrawing at an ATM or point of sale, automatically get credit for these best practices.

Processing transactions

The method each bank uses to process transactions is another important factor affecting consumers. Because reordering transactions from highest to lowest dollar amount during processing reduces account balances more quickly and results in more overdraft fees than other methods, Pew's best practice is for banks to process all transactions either chronologically or from low to high by dollar amount. (See Figure 7.)

Figure 7
More Large Banks Are Limiting High-to-Low Transaction Reordering
Policies, 2013-16



Notes: From 2013 to 2016, Pew studied account disclosures from the 50 largest banks that offer consumer checking accounts. The differences indicate trends but do not imply statistical significance.

Extended overdraft fees

Extended overdraft fees are additional charges levied on customers who fail to repay a negative balance within a designated amount of time and are especially harmful to those least able to repay. Therefore, Pew's recommended good practice is to prohibit the use of these fees. Nevertheless, 52 percent of the banks in this study still charge such additional fees: Among the banks examined for this study, the median period before incurring an extended overdraft fee was five days, and the median fee amount was $20. (See Appendix A.) Previous Pew research found that almost 20 percent of overdrafters have paid an extended fee.[21]

Recommendations

The costs associated with overdraft fees disproportionally affect vulnerable consumers, driving many out of the financial system. Federal regulators can write rules to reduce these harmful effects in a number of ways, including by limiting the size of overdraft fees, the frequency with which they can be incurred, or the overall cost. Adoption of the following options, individually or in combination, would help to limit the negative impacts of these fees:

- **Enable banks and credit unions to offer affordable small-dollar loans in place of expensive overdraft penalty programs.** The CFPB should set clear product safety standards for such credit products, including guidelines for affordable payments and reasonable time to repay.[22] This should be done in conjunction with other federal agencies that regulate the safety and soundness of financial institutions (known as "prudential" regulators) as appropriate.
- **Make overdraft penalty fees reasonable and proportional either to the financial institution's costs in providing the overdraft loan or to the overdraft amount.**
- **Allow financial institutions to charge customers a maximum of six overdraft fees in any 12-month period, and limit such fees to one per negative-balance episode (i.e., an overdraft that incurs one or more fees).** When customers incur the maximum number of fees, any additional credit extended to them should be required to comply with the rules that govern other types of credit.
- **Prohibit banks and credit unions from maximizing overdraft fees when posting deposits and withdrawals,** such as by reordering transactions by dollar amount from highest to lowest, causing the account to be overdrawn more quickly and incur more fees.
- **Require financial institutions to provide account holders with clear, comprehensive terms and pricing information for all available overdraft options** to ensure that consumers can make the best choice for their personal situations, including choosing not to opt in to any coverage.

Conclusion

Overdraft has evolved from an occasional courtesy into a product that many banks rely on for revenue. It is frequently marketed as a service for customers even though the costs are often disproportionate to the negative balance incurred, and the majority of those fees are paid by a small share of consumers who overdraw several times each year. Previous Pew research has shown that heavy overdrafters tend to earn lower incomes than the general U.S. population, and they spent nearly a week of wages on overdraft fees on average, causing many to leave the banking system altogether. These facts show that overdraft fees are often incurred most frequently by financially vulnerable account holders.

Debit cards are an important way for consumers to make payments and purchases, and are used extensively by those most vulnerable to overdraft. These transactions tend to be smaller than other methods of payment, but overdraft fees are flat, placing a larger burden on lower-income consumers, who tend to overdraw most frequently. As a result, banks are effectively charging their most financially vulnerable customers high prices for short-term loans.

Consumers—especially those who are most financially vulnerable—need protections to help them avoid expensive overdraft fees and remain viable in the banking system. The available options include limiting the number of fees that can be charged when an account balance is negative; ensuring that consumers have clear information about overdraft programs; making overdraft penalty fees reasonable and proportional; prohibiting banks from maximizing overdraft revenue through harmful reordering policies; and allowing banks and credit unions to offer affordable small loans in place of expensive overdraft penalty programs.

Appendix A: Bank adoption of Pew-recommended practices

Table A.1

Overdraft Practices, 2016

All banks in the 2016 study by number of best, then good, practices

Bank name	Overdraft							Total best practices (out of 3)	Total good practices (out of 4)
	Best practices			Good practices					
	No ATM overdrafts	No debit point-of-sale overdrafts	No high-to-low trans-action reordering	Limited high-to-low trans-action reordering	Threshold amount to trigger an overdraft*	No extended overdraft fee	Limited number of overdraft fees per day		
Proportion	20%	20%	59%	91%	70%	48%	93%		
Ally	★	★	★	✓	✓	✓	✓	★ = 3	✓ = 4
Charles Schwab Bank	★	★	★	✓	✓	✓	✓	★ = 3	✓ = 4
Discover Bank	★	★	★	✓	✓	✓	✓	★ = 3	✓ = 4
HSBC	★	★	★	✓	✓	✓	✓	★ = 3	✓ = 4
USAA	★	★	★	✓	✓	✓	✓	★ = 3	✓ = 4
Citibank	★	★	★	✓		✓	✓	★ = 3	✓ = 3
First Republic	★	★	★	✓		✓	✓	★ = 3	✓ = 3
EverBank	★	★	☆	✓	✓	✓	✓	★ = 2	✓ = 4
BB&T	☆	☆	★	✓	✓	✓	✓	★ = 1	✓ = 4
First Citizens Bank	☆	☆	★	✓	✓	✓	✓	★ = 1	✓ = 4
Frost	☆	☆	★	✓	✓	✓	✓	★ = 1	✓ = 4
People's United Bank	☆	☆	★	✓	✓	✓	✓	★ = 1	✓ = 4
Umpqua Bank	☆	☆	★	✓	✓	✓	✓	★ = 1	✓ = 4
Wells Fargo	☆	☆	★	✓	✓	✓	✓	★ = 1	✓ = 4
Bank of the West	☆	☆	★	✓	✓		✓	★ = 1	✓ = 3
BMO Harris Bank	☆	☆	★	✓	✓		✓	★ = 1	✓ = 3
Chase	★	☆	☆	✓	✓		✓	★ = 1	✓ = 3
City National Bank	☆	☆	★	✓	✓		✓	★ = 1	✓ = 3
East West Bank	☆	☆	★	✓		✓	✓	★ = 1	✓ = 3

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Bank name	Overdraft							Total best practices (out of 3)	Total good practices (out of 4)
	Best practices			Good practices					
	No ATM overdrafts	No debit point-of-sale overdrafts	No high-to-low trans-action reordering	Limited high-to-low trans-action reordering	Threshold amount to trigger an overdraft*	No extended overdraft fee	Limited number of overdraft fees per day		
Proportion	20%	20%	59%	91%	70%	48%	93%		
Huntington	☆	☆	★	✓	✓		✓	★ = 1	✓ = 3
M&T Bank	☆	☆	★	✓	✓		✓	★ = 1	✓ = 3
Regions	☆	☆	★	✓		✓	✓	★ = 1	✓ = 3
U.S. Bank	☆	☆	★	✓	✓		✓	★ = 1	✓ = 3
Webster Bank	☆	☆	★	✓	✓		✓	★ = 1	✓ = 3
Associated Bank	☆	☆	★	✓			✓	★ = 1	✓ = 2
Bank of America†	☆	★	☆	✓			✓	★ = 1	✓ = 2
KeyBank	☆	☆	★	✓			✓	★ = 1	✓ = 2
Santander	☆	☆	★	✓			✓	★ = 1	✓ = 2
Signature Bank	☆	☆	★	✓		✓		★ = 1	✓ = 2
Capital One Bank	☆	☆	☆	✓	✓	✓	✓	★ = 0	✓ = 4
Fifth Third Bank	☆	☆	☆	✓	✓	✓	✓	★ = 0	✓ = 4
Bank of Oklahoma	☆	☆	☆	✓	✓		✓	★ = 0	✓ = 3
Citizens Bank	☆	☆	☆	✓	✓		✓	★ = 0	✓ = 3
First Niagara	☆	☆	☆	✓	✓		✓	★ = 0	✓ = 3
First Tennessee	☆	☆	☆	✓	✓		✓	★ = 0	✓ = 3
PNC	☆	☆	☆	✓	✓		✓	★ = 0	✓ = 3
Union Bank	☆	☆	☆	✓	✓		✓	★ = 0	✓ = 3
Comerica	☆	☆	☆	✓			✓	★ = 0	✓ = 2
Commerce Bank	☆	☆	☆	✓		✓		★ = 0	✓ = 2
FirstMerit	☆	☆	☆		✓		✓	★ = 0	✓ = 2
Popular	☆	☆	☆	✓			✓	★ = 0	✓ = 2
SunTrust	☆	☆	☆		✓		✓	★ = 0	✓ = 2
TD Bank	☆	☆	☆		✓		✓	★ = 0	✓ = 2

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Bank name	Overdraft							Total best practices (out of 3)	Total good practices (out of 4)
	Best practices			Good practices					
	No ATM overdrafts	No debit point-of-sale overdrafts	No high-to-low trans-action reordering	Limited high-to-low trans-action reordering	Threshold amount to trigger an overdraft*	No extended overdraft fee	Limited number of overdraft fees per day		
Proportion	20%	20%	59%	91%	70%	48%	93%		
E*Trade Bank	☆	☆	☆	✓	✓	✔	✓	★ = 0	✔ = 1
Compass Bank	✗	✗	✗	✗	✗	✗	✗	N/A	N/A
Hudson City Savings Bank	✗	✗	✗	✗	✗	✗	✗	N/A	N/A
New York Community Bank	✗	✗	✗	✗	✗	✗	✗	N/A	N/A
Prosperity Bank	✗	✗	✗	✗	✗	✗	✗	N/A	N/A
Synovus Bank	✗	✗	✗	✗	✗	✗	✗	N/A	N/A
Whitney Bank	✗	✗	✗	✗	✗	✗	✗	N/A	N/A

★ Engages in this best practice ☆ Does not engage in this best practice ✔ Engages in this good practice ✓ Does not engage in this good practice ✗ No response

Notes:

* The median threshold amount to trigger an overdraft fee is $5, and thresholds range from $1 to $10.

† Bank of America states that customers will generally not be allowed to overdraw at an ATM but may be allowed to withdraw "emergency cash" at an ATM in excess of the available balance for a $35 overdraft item fee, which is, in essence, an ATM overdraft.

Pew first outlined its set of best and good practices for overdraft services in 2013 and has evaluated banks each year since to track the practices of the 50 largest banks that offer consumer checking accounts.

Source: Pew analysis of bank disclosures

Appendix B: Methodology

Pew studied disclosures from the 50 largest banks by domestic deposit volume as tabulated in June 2015 by the Federal Deposit Insurance Corp. Banks that did not offer checking accounts were excluded, and subsidiaries were combined with their parent companies. At each bank, the most basic checking account that provided debit cards—defined as the cheapest available to all consumers (not a specialty account for students, seniors, or the military) and not online-only—was chosen for analysis. For banks that have no physical branches, this last requirement was waived. When a bank's terms differed across states, Pew examined accounts in the state where the bank held the plurality of its deposits by volume.

In November 2015, Pew examined the following disclosure documents from each financial institution's website:

- Disclosure box.
- Fee schedule.
- Account agreement.
- Screen shots of the checking home page and individual account webpages.

If information was not available online, Pew phoned the toll-free customer support numbers found on the banks' websites to request that the relevant information be mailed or emailed.

Pew bases its review on published account agreements rather than in-person or phone interviews because banks are legally required to provide disclosures in writing that are clear and understandable and that form the basis of customers' contracts with their banks. This increases the likelihood of collecting correct and complete information and helps reduce the possibility of confusion or the collection of incorrect information about a practice.

Furthermore, the reviewed documents are the same ones that prospective customers rely on when choosing among financial institutions and account products. If the disclosures are long, confusing, poorly written, unavailable before opening an account, or filled with onerous terms and conditions, customers are ill-served and may incur unexpected fees or have limited options for legal recourse in the event of a dispute.

Using these methods, Pew obtained full documentation for 44 of the 50 largest banks. Banks that provided only some of their disclosures were omitted. The banks were rated based on Pew's policy recommendations on overdraft as articulated in our previous studies.

Table B.1

Data Collection Methods

Banks ranked by domestic deposit volume

Rank	Bank name	Rank	Bank name
1	Bank of America	26	Bank of the West
2	Wells Fargo	27	Discover Bank
3	Chase	28	First Republic
4	Citibank	29	E*Trade Bank
5	U.S. Bank	30	City National Bank
6	PNC	31	First Niagara
7	Capital One Bank	32	People's United Bank
8	TD Bank	33	First Citizens Bank
9	SunTrust	34	New York Community Bank
10	BB&T	35	East West Bank
11	HSBC	36	Signature Bank
12	Charles Schwab Bank	37	Frost
13	Fifth Third Bank	38	Synovus Bank
14	Regions	39	Popular
15	Union Bank	40	Bank of Oklahoma
16	BMO Harris Bank	41	Associated Bank
17	M&T Bank	42	FirstMerit
18	Citizens Bank	43	Commerce Bank
19	KeyBank	44	First Tennessee
20	Compass Bank	45	Hudson City Savings Bank
21	USAA	46	Webster Bank
22	Ally	47	Umpqua Bank
23	Comerica	48	Whitney Bank
24	Santander	49	Prosperity Bank
25	Huntington	50	EverBank

● Available online ● Mailed/emailed ● Information not provided

Source: Pew analysis of bank disclosures

Pew's policy recommendations for checking accounts form the basis for determining best and good overdraft practices. Banks were recognized according to what they do, so information from the account agreement and other supplemental documents was used to determine their policies.

Institutions new to Pew's analysis are Discover Bank and Whitney Bank. EverBank, which was included in Pew's 2014 research but not in 2015, is again included this year.[23] East West Bank, Signature Bank, and First Citizens Bank were excluded from the 2015 study because they did not provide complete disclosures, but those documents were available this time, so those institutions were included.

Compass Bank and Hudson City Savings Bank made their disclosures available in 2015 but did not provide them during this collection period. New York Community Bank, Synovus Bank, and Whitney Bank did not provide information during our most recent collection.

Zions Bank and TCF Bank dropped out of the top 50 and were excluded from this analysis. Scottrade Bank was excluded because it did not show the availability of a consumer checking account on its website.

Table B.2

Banks Added to the 2016 Analysis

New banks, by deposit volume

Rank	Bank name	Reason for inclusion
27	Discover Bank	Not previously collected
48	Whitney Bank	Not previously collected
50	EverBank	Returned to top 50

Source: Pew analysis of bank disclosures

External reviewers

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Endnotes

1 Pew's research finds that most large banks charge $35 or more per overdraft. Consumer Financial Protection Bureau research finds that the median overdraft transaction value for a debit card (the most common transaction device) that leads to an overdraft is $24. Consumer Financial Protection Bureau, *Data Point: Checking Account Overdraft* (July 2014), 18, http://files.consumerfinance.gov/f/201407_cfpb_report_data-point_overdrafts.pdf.

2 The Pew Charitable Trusts, *Overdrawn: Persistent Confusion and Concern About Bank Overdraft Practices* (June 2014), 9-10, http://www.pewtrusts.org/~/media/assets/2014/06/26/safe_checking_overdraft_survey_report.pdf.

3 Consumer Financial Protection Bureau, *Data Point: Checking Account Overdraft*, 12. The automated clearing house is a network through which electronic transactions are sent between accounts.

4 The Pew Charitable Trusts, "How CFPB Rules Can Encourage Banks and Credit Unions to Offer Lower-Cost Small Loans" (April 2016), http://www.pewtrusts.org/en/research-and-analysis/analysis/2016/04/05/how-cfpb-rules-can-encourage-banks-and-credit-unions-to-offer-lower-cost-small-loans. See also: The Pew Charitable Trusts, *Payday Lending in America: Policy Solutions* (October 2013), http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2013/PewPaydayPolicySolutionsOct2013pdf.pdf; and Nick Bourke, "Regulators Should Let Banks Get Back to Small-Dollar Loans," *American Banker* (September 2015), http://www.americanbanker.com/bankthink/regulators-should-let-banks-get-back-to-small-dollar-loans-1076693-1.html.

5 In this paper, noninterest income and fee income are used interchangeably.

6 Ron J. Feldman and Jason Schmidt, "Noninterest Income: A Potential for Profits, Risk Reduction and Some Exaggerated Claims," *Fedgazette* (October 1999), https://www.minneapolisfed.org/publications/fedgazette/noninterest-income-a-potential-for-profits-risk-reduction-and-some-exaggerated-claims.

7 Robert DeYoung and Tara Rice, "How Do Banks Make Money? The Fallacies of Fee Income," *Economic Perspectives* (2004), https://chicagofed.org/~/media/publications/economic-perspectives/2004/ep-4qtr2004-part3-deyoung-rice-pdf.pdf.

8 Consumer Financial Protection Bureau, *CFPB Study of Overdraft Programs* (June 2013), 15, http://files.consumerfinance.gov/f/201306_cfpb_whitepaper_overdraft-practices.pdf. The CFPB's 2013 study on overdraft programs cites the following examples: The FDIC's *2008 Study of Bank Overdraft Programs* estimated that 74 percent of deposit account service charges in 2007 were attributable to overdraft and NSF fees; the *Independent Community Bankers of America Overdraft Payment Services Study* estimated the percentage at around 62 percent; and Strunk and Associates, an industry vendor that services 1,800 smaller institutions, estimated it at 78 percent.

9 Consumer Financial Protection Bureau, *Variation in Bank Overdraft Revenues and Contribution* (February 2016), 2, http://files.consumerfinance.gov/f/201602_cfpb_variation-in-bank-overdraft-revenues-and-contribution.pdf. Overdraft revenue averaged 65.3 percent of service charges on consumer deposits for the 581 institutions with complete data.

10 G. Michael Flores and Todd Zywicki, "Overdraft Protection Rules Could Hurt Consumers More Than They Help," *American Banker* (Nov. 24, 2014), http://www.americanbanker.com/bankthink/overdraft-protection-rules-could-hurt-consumers-more-than-they-help-1071368-1.html.

11 Consumer Financial Protection Bureau, *Data Point: Checking Account Overdraft*, 12.

12 The Pew Charitable Trusts, *Heavy Overdrafters: A Financial Profile* (April 2016), 1, http://www.pewtrusts.org/~/media/assets/2016/04/heavyoverdrafters.pdf.

13 The median overdraft transfer fee among large banks is $10, with a range of $0 to $16.

14 Consumer Financial Protection Bureau, *CFPB Study of Overdraft Programs* (June 2013), 12, http://files.consumerfinance.gov/f/201306_cfpb_whitepaper_overdraft-practices.pdf.

15 Ibid., 13.

16 Consumer Financial Protection Bureau, *Data Point: Checking Account Overdraft*, 18; and The Pew Charitable Trusts, *Heavy Overdrafters*, 6.

17 Ibid., 5.

18 The Pew Charitable Trusts, *What Do Consumers Without Bank Accounts Think About Mobile Payments?* (June 2016), 4, http://www.pewtrusts.org/~/media/assets/2016/06/fsp_what_do_consumers_without_bank_accounts_think_about_mobile_payments.pdf.

19 The Pew Charitable Trusts, *Checks and Balances: Measuring Checking Accounts' Safety and Transparency* (May 2013), http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2013/checksbalancesnewpdf.pdf.

20 The Pew Charitable Trusts, *Overdrawn: Persistent Confusion and Concern About Bank Overdraft Practices*, 10.

21 Ibid., 8.

22 See "How CFPB Rules Can Encourage Banks and Credit Unions to Offer Lower-Cost Small Loans," http://www.pewtrusts.org/en/research-and-analysis/analysis/2016/04/05/how-cfpb-rules-can-encourage-banks-and-credit-unions-to-offer-lower-cost-small-loans.

23 The Pew Charitable Trusts, *Checks and Balances 2014 Update* (April 2014), http://www.pewtrusts.org/~/media/assets/2014/04/09/checksandbalancesreport2014.pdf; and The Pew Charitable Trusts, *Checks and Balances 2015 Update* (May 2015), http://www.pewtrusts.org/~/media/assets/2015/05/checks_and_balances_report_final.pdf.

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