

In June 2012, the Pew Safe Checking in the Electronic Age Project released *Still Risky: An Update on the Safety and Transparency of Checking Accounts*. This report examined the terms and conditions of 274 distinct checking accounts offered online by the 12 largest banks and 12 largest credit unions in the United States as of October 2011. Pew released *Overdraft America*, a national survey of consumers who had overdrafted using their debit or ATM card in the past year, in April 2012.

Consumers Need Clear Disclosures to Understand Their Overdraft Options

Pew's Finding

Financial institutions fail to provide checking accountholders with complete information about available overdraft options and their costs. Most financial institutions offer various options for overdraft service; each option has significantly different features and fees.

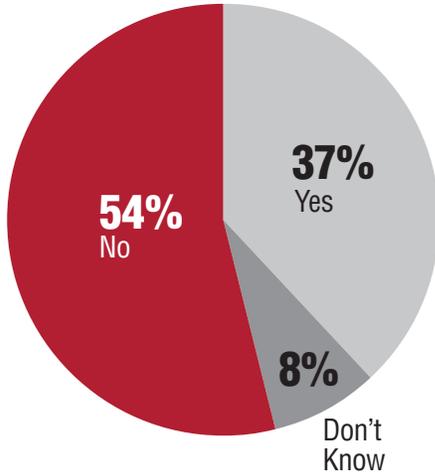
Pew's Policy Recommendation

The Consumer Financial Protection Bureau should require depository institutions to provide accountholders with clear, comprehensive terms and pricing information for all available overdraft options so customers can make the best choice for them, which may include choosing not to opt in to any overdraft coverage.

Background

Since August 2010, Federal Reserve regulations have required financial institutions to obtain affirmative consent before extending an overdraft penalty plan to cover debit point-of-sale and ATM transactions. The default option, if the accountholder takes no action, is that these transactions will be declined at no cost to the consumer.

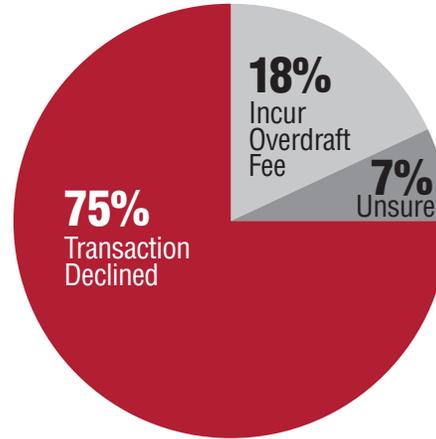
More than half of overdrafters did not believe they had opted in to coverage.



As far as you know, did you choose to sign up for overdraft coverage, where you are charged a fee for each overdraft, or not?

SOURCE: Overdraft America, Pew Charitable Trusts, 2012.

A large majority of overdrafters prefer having a transaction declined.



Pretend for a moment that you are at a store about to use your debit card to make a purchase and that you are unaware there is not enough money in your checking account to cover that purchase. Would you rather: 1) Have your purchase denied, or 2) Have your purchase go through for an overdraft fee of \$35 or so?

SOURCE: Overdraft America, Pew Charitable Trusts, 2012.

Pew's model disclosure box includes and describes the three options that most financial institutions offer their customers to cover overdrafts.

Overdraft Options Excerpt from Pew's Model Disclosure Box for Checking Accounts

Overdraft Options for Consumers with Debit Cards	Option A: (Default)	No Overdraft Service	If you choose not to opt in to any kind of overdraft service, transactions that would cause an overdraft will be declined at no cost to you.
	Option B: Overdraft Transfer Plan	Overdraft Transfer Fee	\$ per overdraft covered by a transfer from a linked savings account, line of credit, or credit card
	Option C: Overdraft Penalty Plan	Overdraft Penalty Fee	\$ per overdraft covered by an advance from your financial institution
		Maximum Number of Overdraft Penalty Fees per Day	You will only be charged this number of overdraft penalty fees per day, even if we elect to cover additional overdrafts.
		Minimum Amount Required to Trigger an Overdraft Penalty Fee	\$ If you are overdrawn by this amount or less, you will not incur an overdraft penalty fee.
	Extended Overdraft Penalty Fee	\$ charged every X day the account is overdrawn, starting Y days after the account is first overdrawn	

SOURCE: Overdraft America, Pew Charitable Trusts, 2012.