



CFPB's Overdraft Rule Returns \$5 Billion in Big Bank Junk Fees to Consumers' Pockets

January 2025

The Consumer Financial Protection Bureau's (CFPB) [new overdraft fee rule](#) closes a paper-check-era loophole that promotes abusive practices and allows the biggest banks to earn billions in profits from the most vulnerable families. The rule will help everyone, especially families struggling with high prices and making ends meet.

Decades ago, overdraft loans were exempted from the federal Truth in Lending Act (TILA), which protects consumers in credit transactions, because banks charged fees only occasionally to prevent paper checks from bouncing. As banks became more automated, they exploited the paper-check-era loophole to routinely extend high-cost credit without complying with TILA, turning an occasional courtesy into a lucrative back-end junk fee.

- **The rule lowers most big bank overdraft fees from \$35 to \$5, saving consumers \$5 billion/year:** Households that pay overdraft fees spend an average of \$225 every year. [The rule reduces surprise \(misnamed "courtesy"\) overdraft fees to \\$5 or the bank's costs](#), while allowing safer, more transparent overdraft lines of credit with no price limit. High fees are a major reason many people are shut out of the banking system. [More than one in 10](#) (11.2%) households with a disability are unbanked, as are 12.2% of Native American, 10.6% of Black, and 9.5% of Latino households.
- **Banks have options to cover overdrafts.** Big banks have choices: They can (1) charge a \$5 fee to cover their costs for surprise overdraft fees, or a higher amount if they can show their costs are greater; (2) cover overdrafts through links to savings or credit cards; or (3) if they wish to make a profit, banks can provide overdraft lines of credit with transparent pricing, time to pay, and other requirements that apply to credit cards. Big banks like [Capital One](#), [Citibank](#), and [Ally](#) have continued covering overdrafts even while completely eliminating overdraft fees.
- **The rule will reduce manipulative practices and increase transparency and fair competition:** Most debit card overdrafts are for purchases under \$26 and are repaid within three days. Yet these small purchases [trigger \\$35 fees, often higher than the purchase itself, with many consumers preferring to have the purchase denied](#) rather than paying the fee. Banks have also manipulated the order of purchases to increase fees, charged overdraft fees when the account was not overdrawn, and engaged in other abuses. The rule eliminates the incentive for exploitative practices while allowing banks to offer overdraft credit profitably in a more transparent and fair manner.
- **The rule is limited to large financial institutions like Wells Fargo:** The rule only covers financial institutions with over \$10 billion in assets. Wells Fargo and Chase are the most impacted, as each collects about [\\$1 billion a year](#) in overdraft and nonsufficient funds fees, nearly four times as much as the next highest bank. Mid-sized and smaller institutions are completely exempt.

**Support the CFPB Overdraft Fee Rule
and Put Money Back in Consumers' Pockets!**