

Americans pay \$23.7 billion per year in overdraft fees, most of which are related to small debit card overdrafts that financial institutions could easily deny without imposing any fees. As the [Center for Responsible Lending](#) has noted: "These fees hit vulnerable consumers hardest, thrusting them into a cycle of debt and driving some from the banking system altogether." [The Federal Reserve Board](#) issued rules in November 2009 which were intended to rein in bank overdraft practices. However, many consumer advocates and some members of Congress contend the Federal Reserve's rules did not go far enough.

Legislation is currently pending before Congress which is intended to comprehensively address what are seen as continuing problems with bank overdraft programs. The pending legislation (H.R. 3904, S. 1799) would accomplish the following: (1) there would be a limit on the frequency of permissible overdraft charges to six per year and one per month; (2) overdraft fees would need be reasonable in amount and proportional to the bank's actual cost; (3) there would be required real-time warning of a pending overdraft at all ATMs; (4) institutions would be prohibited from continuing to post purchases in order from largest to smallest so as to maximize overdraft fees; and (5) banks would be precluded from charging multiple overdraft fees for a single overdraft. The proposed legislation would also require a cost of credit disclosure for overdraft fees, consistent with the [Truth in Lending Act \(TILA\)](#), so consumers would have a basis upon which to compare the cost of overdraft fees to other, less expensive forms of credit.