



March 7 2023

The Honorable Todd M. Harper
National Credit Union Administration
1175 Duke Street
Alexandria, VA 22314

Re: 2023 Supervisory Priorities Focus on Overdraft

Dear Chairman Harper:

Inclusiv appreciates the NCUA's focus on consumer financial protection and racial equity outlined in the NCUA's 2023 Supervisory Priorities. All of the consumer protection topics included in the Supervisory Priorities are critical to advancing financial inclusion and ensuring credit unions serve their members equitably. The NCUA's planned overdraft review is especially timely as many financial institutions have recently reduced their overdraft fees or eliminated courtesy overdraft programs and the CFPB is considering a rulemaking on overdraft fees.

Reviewing overdraft programs at credit unions with \$500 million or more in assets, including website advertising, balance calculation methods and settlement processes is an important first step in addressing the harms to low-income people and people of color that high-cost and abusively-structured overdraft programs can cause. Indeed, it is common to find that a small percentage of account holders bear the brunt of overdraft fees. One CFPB report uncovered that 9% of account holders at banks paid 79% of all overdraft and NSF fees.¹

In addition to the overdraft review methods detailed in the NCUA's 2023 Supervisory Priorities, we recommend the following additional lines of inquiry to help the NCUA offer credit unions guidance on whether their overdraft practices are likely to be harmful or helpful to their members:

- **Overdraft pricing** – has the credit union followed banking industry trends and lowered or otherwise limited their overdraft fees recently?² Are there limits on the number of fees charged per day or per month? Are fees waived for small overdrafts? If feasible with their core processor, has the credit union implemented a grace period to allow members to bring their accounts current before overdraft fees are assessed?
- **Interventions to promote financial well-being** – does the credit union track member overdraft use and intervene if a member reaches a certain number of overdrafts or fee total in a given timeframe? Does the credit union offer alternative products, financial coaching, or other interventions? Are those interventions a matter of policy or are they discretionary?

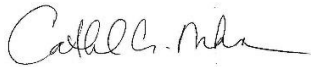
¹ https://files.consumerfinance.gov/f/documents/201708_cfpb_data-point_frequent-overdrafters.pdf

² <https://www.consumerfinance.gov/data-research/research-reports/banks-overdraft-nsf-fee-revenue-declines-significantly-compared-to-pre-pandemic-levels/>

- **Alternatives to courtesy overdraft** – does the credit union offer affordable alternatives to courtesy overdraft, such as linked savings accounts and overdraft lines of credit, that are appropriately tailored to their members’ needs? Are these alternatives marketed as more affordable or beneficial to members than courtesy overdraft?

We would be happy to set up a meeting with you or your staff to discuss these issues and share best practices that our member credit unions have identified. Thank you for considering our input on this critical issue, and please contact Alexis Iwanisziw, SVP Policy and Communications, at aiwanisziw@inclusiv.org with any questions.

Sincerely,



Cathie Mahon
President/CEO Inclusiv