

Consumer Financial Protection Bureau
c/o Legal Division Docket Manager
1700 G Street NW, Washington, DC 20552

Docket No. CFPB-2024-0002

To Whom It May Concern,

Introduction

The [Cities for Financial Empowerment Fund](#) (CFE Fund) writes in response to this request for comment on the Consumer Financial Protection Bureau’s (CFPB’s) proposal to update regulations that govern overdraft lending services. Through our work supporting municipalities across the country to develop and implement strategies to improve financial stability such as one-on-one financial counseling and banking access integrations, we have seen how overdraft fees burden and destabilize consumers, as well as breed mistrust in the mainstream banking system. Accordingly, our national banking initiative, [Bank On](#), established a set of national account standards that do not allow for overdraft fees, among other consumer protection and feature requirements, to receive our certification. Accounts with no overdraft – there already are close to 450 Bank On certified accounts opened by more than 4 million consumers last year alone – have more than made the case for a compelling market of safe basic banking products. [The Bank On National Account Standards](#) also encourage partner financial institutions to offer safe savings and credit products, such as those encouraged by this proposed rule. The experience of our 100+ Bank On coalition partners across the country further and loudly speaks to the need for safe and affordable short-term credit options, with a special emphasis on those that don’t breed the kind of distrust and instability that Bank On partners have worked so hard over the years to remedy.

The CFE Fund

The CFE Fund supports efforts to improve the financial stability of households by leveraging opportunities unique to local government. By translating cutting-edge experience with large-scale programs, research, and policy, the CFE Fund assists mayors and other leaders in over 100 cities, counties, and states to identify, develop, fund, implement, and research pilots and programs that help families build assets and make the most of their financial resources. Efforts include access to safe and affordable banking accounts, one-on-one financial counseling as a public service, asset building, and consumer financial protection. The CFE Fund has disbursed over \$66 million in grant support to local government partners.

The Bank On Approach

The CFE Fund's national Bank On initiative is a multi-sector partnership to create pathways for un- and underbanked individuals to enter, or re-enter, the financial mainstream. At the core of the initiative are the [Bank On National Account Standards](#) for basic banking accounts, that are designed to both address critical pain points for consumers, such as transparent pricing and surprise fees, and to limit risk for financial institutions. Certification under the Standards prohibits overdraft or insufficient funds fees and requires low monthly fees, a low opening deposit, and bill pay functionality. The required core features in the Standards address the issues identified by the [Federal Deposit Insurance Corporation \(FDIC\)](#) as primary reasons that individuals are unbanked. There are currently almost 450 accounts certified as meeting the Bank On National Account Standards, at financial institutions representing over 66% of the national deposit market share.

According to the Federal Reserve Bank of St. Louis, the manager of the [Bank On National Data \(BOND\) Hub](#), there have been more than 17 million Bank On accounts opened since 2016 across just the 35 reporting financial institutions. The BOND Hub consistently demonstrates the popularity and success of these accounts; for example, 85% of accounts opened in 2022 were opened by completely new customers to the financial institution.

The success of the Standards is rooted in the high level of transparency and predictability of minimal fees. As the FDIC reports in its [biennial survey](#), costs are the main and most frequently cited reason that households are unbanked. Similarly, negative balances stemming from fees like overdraft are the main reason that accounts are closed on and by consumers. The Standards apply equally to credit unions and banks of all asset sizes.

Overdraft as a Line of Credit

While we agree with the financial services industry and regulators alike that there is high consumer demand for short-term credit, we believe that safe and affordable credit options should be linked to basic transaction accounts like those we certify, such as with overdraft lines of credit. Indeed, while Bank On certified accounts may not charge a fee for overdraft, our certification standards do allow for optional lines of credit to cover overdrafts that come with the protections of Regulations G and Z and the Truth In Lending Act. These lines of credit offer a low-percentage interest rate and no fees on the checking account side of the transaction. Some Bank On financial institution partners already are connecting their customers with certified accounts to such safe loan products.

The experience of our coalition partners across the country also speaks to the damage of costly and generally nontransparent “sweep” fees or other costs to move money from a savings account or line of credit into a checking account. Such fees exacerbate the

destabilizing costs and trust issues Bank On partners have worked so long and hard to remedy.

Conclusion

The CFE Fund appreciates the opportunity to provide input on the CFPB's proposal to revise the rules governing access to overdraft lending services. For the millions of un- and underbanked and newly-banked consumers across the country, overrepresented by people of color and those with barriers to accessing short-term credit, ensuring that the services offered are safe, affordable, and transparent is of enormous importance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan Mintz', with a stylized flourish at the end.

Jonathan Mintz
President and Chief Executive Officer
Cities for Financial Empowerment Fund