

CFE

Cities for Financial Empowerment

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CITIES FOR FINANCIAL EMPOWERMENT COALITION URGES CONGRESS TO PASS OVERDRAFT PROTECTION BILLS AS ESSENTIAL FOR U.S. CONSUMERS

Cities Across The Nation Call for Legislation that Gives Consumers Real-Time Choice on Overdraft Services and Limit Overdraft Fees

The Cities for Financial Empowerment (CFE) Coalition today urged members of Congress to pass both the Fairness and Accountability in Receiving Overdraft Coverage Act of 2009 and the Overdraft Protection Act of 2009, and to strengthen these bills further to improve essential consumer protections. In letters submitted to the Senate Banking Committee and House Financial Services Committee, the 10 member cities of the CFE Coalition – Chicago, Los Angeles, Miami, Newark, New York, Providence, San Antonio, San Francisco, Savannah and Seattle – collectively urged Congress to pass these bills, noting the urgency of federal legislation to strengthen the newly- issued Federal Reserve Board rules on overdraft. In addition, the CFE Coalition urged Congress to require real-time choice not only at ATMs, but also for debit card purchases so that consumers may choose whether or not to proceed with transactions that would be subject to overdraft fees.

“These reforms and others the Coalition is urging are essential, even with the new Federal Reserve Board rules,” said CFE co-chair and New York City Department of Consumer Affairs Commissioner Jonathan Mintz. “Can anyone disagree with finally giving consumers real-time choice about whether or not to use overdraft protection at ATMs?”

“The Fed’s new rules requiring opt-in choice for overdraft protection services are a huge step in assuring consumers are protected from predatory banking practices. But the bills remain critical because they limit the number of overdraft fees a bank can charge in a given period of time. The Cities for Financial Empowerment Coalition supports the bills but urges Congress to make sure they apply to fees charged to transfer funds from other overdraft coverage options, such as lines of credit and linked savings or credit card accounts. Only then can we be sure that financial institutions won’t simply shift these deceptive fees to another product,” said CFE co-chair and San Francisco Treasurer José Cisneros.

City governments like those in the CFE Coalition are on the front lines of the financial crisis and its aftermath, rescuing and protecting their residents from the fallout of the foreclosure crisis and the ensuing economic downturn. In working to stabilize families and communities, these cities are pioneering innovative strategies to help their residents manage their money, reduce debt and begin to save and build assets for the future. These innovative programs have helped residents in some of the nation’s largest metropolitan areas access mainstream banking products and services, as well as obtain high-quality financial education and counseling.

The CFE Coalition supports overdraft protection legislation that will ensure the following:

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- **Real-time choice.** Consumers should be notified and given the chance to cancel ATM *and* debit transactions that will result in overdraft fees at the time of the transaction.
- **Limits on Fees.** Unlike the Federal Reserve’s new rules, the Overdraft Act would limit overdraft fees to one per month and six per calendar year. This is essential to ensure consumers who participate in overdraft programs are able to avoid the harmful “domino effect” of multiple fees.
- **Extended definition of “overdraft coverage fee.”** While the Overdraft Protection Act would extend protections to cover fees applied to the use of overdraft lines of credit, the Fairness and Accountability in Receiving Overdraft Coverage Act does not. Congress must ensure that the final bill covers fees for using a line of credit, as well as fees charged to transfer funds from linked savings or credit card accounts, to prevent financial institutions from simply shifting deceptive fee practices to another product offering.

For more information about the Cities for Financial Empowerment, or to read the CFE Coalition’s letters to Congress, please visit www.cfecoalition.org.

The CFE Coalition is led by New York City Mayor Michael R. Bloomberg’s representative, New York City Consumer Affairs Commissioner Jonathan Mintz, and San Francisco Mayor Gavin Newsom’s representative, Treasurer José Cisneros. The other member cities are Chicago, Illinois; Los Angeles, California; Miami, Florida; Newark, New Jersey; Providence, Rhode Island; San Antonio, Texas; Savannah, Georgia; and Seattle, Washington. CFE cities capitalize on local governments’ unique power and position to advance financial empowerment, work traditionally done in the nonprofit sector. In addition to the work CFE cities do locally, member cities work with key partners in the public, private and nonprofit sectors to leverage their collective power to advance the financial empowerment agenda on a state and national level. For more information, please visit www.cfecoalition.org.

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