



FOR IMMEDIATE RELEASE

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CITIES ACROSS THE NATION CALL FOR OVERDRAFT PROTECTION REFORM

Cities for Financial Empowerment Coalition Submits Recommendations on Overdraft Regulations to the Board of Governors of the Federal Reserve System

The Cities for Financial Empowerment (CFE) Coalition, the nation's first and only financial empowerment coalition of municipal governments, today announced it formally submitted comments to the Board of Governors of the Federal Reserve System in support of prohibiting banks from automatically enrolling consumers into so-called "courtesy" overdraft protection programs.

Current federal regulations allow banks to automatically enroll consumers into costly overdraft protection plans without their knowledge or consent. According to a 2008 Federal Deposit Insurance Corporation (FDIC) study, the estimated typical interest rate on fees resulting from overdraft ATM and debit transactions is between 1,173 percent and 3,540 percent. In 2008, the Center for Responsible Lending reported that the burden of these exorbitant fees is often concentrated on the least financially stable, with 16 percent of overdraft protection users generating 71 percent of all fee-based overdraft fees. Repeat users are most often low-income, single, non-white renters.

"While residents of cities across the nation work to manage their finances in a difficult economy and struggle to build assets for their families' futures, the predatory and hidden ways in which banks assess so-called 'courtesy' overdraft fees from those with the lowest incomes is simply unacceptable," said CFE co-chair and New York City Department of Consumer Affairs Commissioner Jonathan Mintz. "We call upon the Federal Reserve Board to hold banks accountable for fair dealings with customers so consumers can make meaningful choices from among presumably more competitive products and services."

"I am pleased that the Cities for Financial Empowerment has taken a strong stand for consumer rights," said San Francisco Treasurer José Cisneros. "If a customer chooses overdraft protection, any fees and APR should be stated clearly so that the customer can make an informed decision."

In its formal comments to the Federal Reserve Board, the CFE Coalition strongly supported requiring banks to obtain consumer consent, so consumers "opt in" to fee-based overdraft protection plans, instead of having to opt out. In addition, the CFE Coalition's comments to the Board of Governors supported giving existing bank account holders a choice about whether to participate in "courtesy" overdraft programs.

The CFE member cities have designed and implemented innovative programs nationwide to help residents of their cities who are disenfranchised from the mainstream banking system gain access to affordable financial services. Such innovative programs include Bank on San Francisco and \$aveNYC.

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By focusing on connecting low and moderate-income families to banking, opportunities for asset building and financial education, as well as maximizing consumer protections, these city efforts are reaching millions. However, high-cost overdraft programs undermine consumer confidence in financial institutions and hinder CFE cities' efforts to connect those with low to moderate income with mainstream financial institutions.

For more information about the Cities for Financial Empowerment, or to read the CFE Coalition's complete submission to the Board of Governors, please visit www.cfecoalition.org.

The CFE Coalition is led by 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; 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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MEDIA CONTACT: Elizabeth Miller (New York City)	(212) 487-4283
David Augustine (San Francisco)	(415) 554-7601