



PRESS RELEASE

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FDIC Issues Final Guidance on Automated Overdraft Payment Programs

FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation (FDIC) today issued final guidance to address the risks associated with overdraft payment programs. The guidance is intended to ensure robust oversight of automated overdraft programs offered by certain FDIC-insured institutions.

"This guidance promotes common sense overdraft programs by setting out our expectations. While many community banks already prudently manage their overdraft programs, some banks operate automated programs that lead to excessive use of these high-cost, short-term credit products," said FDIC chairman Sheila C. Bair. "When banks spot a pattern of excessive use of an automated overdraft program, they should contact their customers about a more appropriate and lower-cost alternative that better suits their needs."

In response to concerns about automated overdraft programs, the FDIC on August 11, 2010, proposed guidance for public comment on how the banking institutions it supervises should monitor and oversee overdraft programs. The proposed guidance stemmed from both the FDIC's November 2008 Study of Bank Overdraft Programs that disclosed growing use of such programs and increases in consumer complaints related to overdraft programs. The FDIC received more than 900 written comments on the proposed guidance from financial institutions, their industry trade groups, individual consumers, consumer advocacy and public interest groups, and one member of Congress. The final guidance incorporates suggestions from commenters to refine and clarify expectations.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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The final guidance provides information to assist FDIC-supervised institutions in identifying, managing and mitigating risks associated with overdraft payment programs, including risks that could result in serious financial harm to certain consumers. The guidance focuses on automated overdraft programs and encourages banks to offer less costly alternatives if, for example, a borrower overdraws his or her account on more than six occasions where a fee is charged in a rolling 12-month period. Additionally, to avoid reputational and other risks, the FDIC expects institutions to institute appropriate daily limits on customer costs and ensure that transactions are not processed in a manner designed to maximize the costs to consumers, such as by processing checks from the largest to the smallest. The guidance also reminds institutions of existing requirements under applicable laws and regulations.

In order to give institutions sufficient time to review, consider and respond to the expectations set out in the final guidance, the FDIC expects any additional efforts to mitigate risks to be in place by July 1, 2011.

Attachment: Overdraft Guidance - PDF (PDF Help)
