



June 13, 2022

The Honorable Joyce Beatty
House Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Warren Davidson
House Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Anthony Gonzalez
House Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Representatives Beatty, Davidson, and Gonzalez:

On behalf of the collective interests of Ohio's 232 credit unions and their 3.1 million members, the Ohio Credit Union League (OCUL) is writing to share overdraft protection programming insights in advance of the committee mark-up on H.R. 4277, the Overdraft Protection Act of 2021. OCUL and Ohio credit unions appreciate your leadership on the House Committee on Financial Services and believe your collective service strengthens and sustains financial service providers across Ohio.

As prudentially regulated, member-owned, not-for-profit financial cooperatives, Ohio credit unions serve as a shining example of consumer empowerment in competitive financial services. From a democratically controlled board structure to offering a suite of customized, transparent financial services and products, Ohio credit union members choose membership and endorse their credit union's service model and fee structure by simply choosing to remain a member. Based on the credit union membership structure, OCUL believes Ohioans are best financially served through the unique service offerings crafted by their credit union to meet member and community needs with safety, soundness, security, and protection in mind.

OCUL also believes optimal regulation occurs when the regulators and the regulated collaborate on member service and consumer protection priorities without negatively impacting operational viability and mission achievement. Efforts to restrict and limit access to critical overdraft protection programs may inhibit credit unions from helping members overcome unexpected financial emergencies or avoid punitive personal accounting errors. As a service that provides immediate access to short-term capital, members may turn to less regulated and more expensive options, like payday lenders. Credit union overdraft programs and products are highly regulated by multiple state and federal agencies. Despite being a valuable tool for members to instantly access funds at a fair, transparent, and fully disclosed price at the point-of-purchase or point-of-transaction during personal budget shortfalls or unexpected expenses, credit unions recognize the need to promote responsible financial practices.

Among the numerous examples of consumer-friendly strategies currently deployed by credit unions are to limit overdraft occurrences by posting transactions in order of receipt, or from lowest amount to highest amount, to lessen the potential for multiple overdrafts, and to provide financial counseling and assistance with budgeting and debt management. Most importantly, credit union members must affirmatively opt-in to use overdraft services, choosing these need-based solutions for their known benefits (which are anchored in immediate and automated funding, payment, and transaction support to manage the daily realities of members' lives).

Credit unions deploy overdraft programming efficiencies to drive better member value, service, and financial awareness. Member-centered strategies implemented by many credit unions include eliminating account transfer fees or offering an automatic line of credit in lieu of extending overdraft services.



Examples of other modifications credit unions have implemented, or are exploring, include:

- Reducing overdraft fees on small transactions.
- Reducing or eliminating overdraft fees on transactions resulting in small negative balances.
- Adding credit cards to the range of overdraft solutions.
- Eliminating transfer fees.
- Automatically waiving fees for situations where the fees are routinely refunded upon member request.
- Reducing the number of times overdraft fees can be charged over a set period.
- Proactively connecting to members who frequently overdraft to offer alternative solutions
- Promoting alerts for low balances and budgeting tools.¹

While intended to protect financially vulnerable consumers, H.R. 4277 will deeply impact both the credit union overdraft protection products and the members who rely on them. Overdraft protection products have a delivery and operational cost for credit unions, which must be considered when evaluating credit union fee structures. With rising cyber security, insurance, and fraud prevention costs, credit unions continue to grapple with delivering safe and essential services while accommodating rising operational and service delivery costs. This is realized by all credit unions, regardless of asset size, with smaller market credit unions disproportionately impacted.

OCUL is concerned that hard-wired limitations to credit union program features and fee structures would further exacerbate market consolidation, rising consumer costs, and diminish service flexibility to serve members where there are and when they need it. Unlike global commercial and regional banks, member-owned credit unions simply do not have the financial capacity to absorb significant operational revenue losses that will result from government overreach in the form of overdraft program and price limitations. We believe program structure and price calibration is already in a well-balanced and fully responsible state as established between credit unions and their members based on mission fulfillment and intense market competition.

The highly competitive financial marketplace is already driving overdraft protection product innovation, change, and review across banks and credit unions alike, rendering H.R. 4277 unnecessary. Ohio credit unions remain responsible, well-regulated, and consumer-friendly financial cooperatives focused on serving the unique needs of all people, families, businesses, and communities. We respectfully ask that you oppose H.R. 4277 as it is neither needed or tailored to mitigate any possible adverse consequences to consumers who rely upon their community-based credit unions to provide accessible and affordable products and services such as overdraft protection programming.

Thank you for your consideration, and please reach out to us should we be of any assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul L. Mercer".

Paul L. Mercer
President

A handwritten signature in black ink, appearing to read "Jared Weiser".

Jared Weiser
Director, Legislative Affairs

¹ Report "Overdraft Protection Programs: Credit Union Best Practices," Filene Research Institute available at <https://filene.org/learnsomething/reports/overdraft-protection-programs-credit-union-best-practices>.