Legislation Details (With Text)

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Title: Resolution calling upon the appropriate committee of the Council of the City of New York to examine the practice of overdraft protection programs.

Sponsors:

Indexes:

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2/12/2003	*	City Council	Introduced by Council	
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12/31/2003	*	City Council	Filed (End of Session)	

Res. No. 697

Resolution calling upon the appropriate committee of the Council of the City of New York to examine the practice of overdraft protection programs.

By Council Members Comrie, Barron, Clarke, Fidler, Gerson, Jackson, Nelson, Sanders, Sears and Stewart

Whereas, According to several consumer rights organizations, overdraft protection is a banking service that is designed to systematically ensnare low and middle-income customers with a product that is indistinguishable from a high interest loan; and
Whereas, more than one thousand banks have active overdraft protection programs that can cost consumers as much as $2,000 annually; and
Whereas, Overdraft protection programs permit bank customers with consistently depleted balances to overdraw their checking accounts through the use of personal checks, A.T.M. withdrawals and debit card transactions, resulting in the application of large overdraft charges and fees; and

Whereas, The Federal Reserve has commenced an examination into the legality and fundamental fairness of overdraft protection programs; and

Whereas, The fees generated by overdraft protection programs have an Annual Percentage Rate (APR) that may exceed several thousand percent, rates which are considerably higher than those permitted by the laws of New York State; and

Whereas, According to industry commentators, the fees generated by overdraft protection programs disproportionately impact low and moderate-income individuals and families who pay on average $150 annually on each account with overdraft protection; according to bank consultants, as recently as 2001, it was thought to be unimaginable for a consumer bank to be able to generate $200 in fees annually per account; and

Whereas, The Federal Deposit Insurance Corporation reported that financial institutions will levy $30 billion in A.T.M., bounced-check and overdraft fees in the year 2002, an increase of fourteen percent from 2001; and
Whereas, Industry commentators have declared that the primary purpose of overdraft protection programs is not to "protect" bank customers but rather to establish substantial profits for the banks that administer them; and

Whereas, Overdraft protection programs may promote irresponsible and even reckless financial behavior by encouraging customers with low account balances to intentionally overdraw their checking accounts; and

Whereas, Industry analysts argue that overdraft protection programs target people who are living paycheck-to-paycheck and can least afford to pay the burdensome fees; now, therefore, be it
Resolved, That the appropriate committee of the Council of the City of New York should examine the practice of overdraft protection programs.

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