Good morning Representative Santiago, Senator Bergstein, Representative Doucette, Senator Needleman, and distinguished members of the Banking Committee. Thank you for the opportunity to testify in support of H.B. 6957: An Act Prohibiting Certain Overdraft Fees.

My name is Samantha Savvidou, I am the BankOn Fellow for the Connecticut Association for Human Services. CAHS is a statewide nonprofit agency that works to reduce poverty and promote equity and economic success for children and families through both policy and program initiatives; our BankOn New Haven initiative works to connect residents with safe and affordable bank accounts, and the BankOn Coalition engages partners in various financial institutions in New Haven, the FDIC, and the community to discuss banking access issues facing consumers.

H.B. 6957, which would amend title 36a of the general statutes to prohibit banks and credit unions from charging overdraft fees to customers who, make a deposit or transfer into their account after an overdraft occurs, would help protect consumers from the harmful consequences of overdraft fees.

Overdraft fees are incredibly stressful for individuals, especially those who have children, and disproportionately harm people already struggling with economic instability. Consumers who overdraft are also often the ones who can least afford it, as many are living paycheck to paycheck. According to the Consumer Financial Protection Bureau, nationally, just 8% of account holders pay about 75% of all overdraft fees.

Overdraft fees can add-up and contribute to the financial insecurity of low-income households, as sometimes, consumers are hit with repeated fees when they continue to make charges before realizing they have overdrawn their accounts. Imagine how easy it is for a single mother who is already struggling to pay bills to fall into a downwards spiral of debt as a result of successive overdraft fees. While these fees may be profitable for banks, they increase consumer debt and therefore negatively impact the economy. According to the FDIC, in 2017, banks collected more than 11.45 billion dollars in overdraft and non-sufficient funds (NSF) fees.

According to the Consumer Financial Protection Bureau, the majority of consumers who incur an overdraft fee do so by only $24 dollars or less. In comparison, the average overdraft fee has climbed to $30, according to analysis by Moebs Services. Protecting consumers who immediately work to correct an overdrawn account by prohibiting overdraft fees is a tangible step toward promoting economic security among low-income populations.

References:
In my experience with conversing with community members, people who are unbanked are unbanked for a reason. They do not trust the banks, and feel as if they were punished from fees such as overdraft and monthly maintenance fees. I am supporting H.B. 6957 because it is a step towards improving that sense of trust. Having extra time for a consumer to bring their account current would be beneficial for both the financial institution and the consumer because it would save them money, time, and resources as well as help them stay connected to the financial institution instead of deciding to close their account.

Thank you for your time and the opportunity to submit testimony in favor of increasing protections for consumers who may face overdraft fees. I am happy to answer any questions you may have.