



April 30, 2024

The Honorable Cory Booker
717 Hart Senate Office Building
Washington, DC 20510

Dear Senator Booker:

CrossState Credit Union Association (CrossState) is a regional trade association that advocates for nearly five hundred credit unions located in the State of New Jersey and Commonwealth of Pennsylvania. We were disappointed to learn that you co-signed a letter questioning a \$1.4 billion California state-chartered credit union's overdraft program.

Overdraft programs are a useful service that members opt-in to join to manage their finances. Credit unions have been able to provide their members with the ability to overdraw their accounts as an additional service. By opting in for overdraft services with their credit union, members do not need approval for a line of credit and may avoid the embarrassment of experiencing a bounced check, or a decline using their debit card.

Credit union members appreciate the convenience of overdraft services, understand the cost of the services, and choose to opt-in. Due to recent negative press and scrutiny about overdraft fees, credit unions and other financial institutions may consider eliminating the service and opting to only offer a traditional overdraft line of credit. Many members who live paycheck to paycheck may not be able to qualify for a traditional overdraft line of credit and may lose the convenience of having a rent check or a grocery purchase honored until the next payday.

In terms of transparency, financial institutions are required by the Consumer Financial Protection Bureau (CFPB), National Credit Union Administration (NCUA), the US Department of Justice, and state regulators to disclose terms and fees in periodic statements to consumers. This is in addition to disclosing such fee income to financial regulators. Relying on an affordable financial product, like overdraft protection, that credit union members opt-in to use, is safer and more reliable than pursuing other financial services that are predatory, abusive, debt driven, and unfair to consumers.

The term "junk fees" creates a negative image of financial service providers. The negative image may cause consumers to think that a credit union and a predatory payday lender are no different. Credit unions charge reasonable fees for the services they provide and disclose those fees upfront – there are no hidden, surprise, or junk fees. Credit unions are member-owned and return fee and interest income back to their members in the form of lower fees, lower loan rates, and increased dividends on deposits.

The CFPB's war on "junk fees" will ultimately result in negative consequences for all consumers. To make up for lost service charge income, rates will eventually need to increase. Americans are already struggling to try to buy a home in the increased rate environment. Inflation has caused the cost of everyday essentials to increase and credit card usage and delinquency has also been on the rise¹. Reduced revenue will also lead to less innovation in financial services. Innovation can lead to products that help consumers, such as automated payment alerts; increased fraud monitoring; and, more convenience in accessing services.

Credit unions are re-examining and adapting their overdraft services to ensure they are best serving their members. Together with financial education and wealth building practices, credit unions position their credit union members to improve their financial capability and develop healthy financial habits. Unfortunately, the positive work of credit unions is being overshadowed by government's villainization of "junk fees" and projection that all financial institutions are bad actors. The lack of trust in financial institutions from this narrative is very concerning.

Moving forward, we encourage you and your colleagues to recognize data, financial risk, and operational complexities of credit unions, and the entire financial services industry, rather than using ideologically driven consumer protection as a base for scrutiny. Credit unions' track record with their members and in their communities speak true that they are reputable actors within the financial services marketplace.

CrossState welcomes the opportunity for further conversation on the impact overdraft and other fees have on members, and how credit unions are meeting the needs of their members during continued challenging times.

Sincerely,



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¹ October 2023 Consumer Credit Card Market Report, "Credit card delinquency has been rising since the expiration of COVID-19 related financial relief.