Oppose Restrictions on Accountholder Choice – HB 1553

How Do Overdrafts Happen?

Overdrafts occur when a financial institution accountholder …

- writes a check
- withdraws money from an ATM
- uses their debit card to make a purchase
- makes an automatic bill payment or other electronic payment

… for more than the amount in their account. When this occurs, their financial institution can choose to either cover the transaction or decline it:

- If the institution pays, the accountholder may be charged an overdraft fee and must repay the amount advanced.
- If the institution declines, the accountholder may be charged a "nonsufficient funds" or NSF fee, and the recipient (e.g., store, landlord or utility) may impose an additional fee.

If a debit card purchase is declined due to insufficient funds, the customer must find another payment method causing inconvenience and potential embarrassment.

Overdraft protection programs help avoid these disruptions. They offer a solution for accountholders who prefer not to use credit cards and help ensure payments are honored without impacting credit scores.

Existing laws already protect account holders. They have the choice to opt in or out of protection; they may choose to have the transaction declined instead. They do not have to pay fees they did not agree to. It is illegal for banks to deceive them and impose arbitrary or unfair fines and fees.

Accountholders Value Overdraft Protection Programs

Financial institutions aim to support customers' financial independence and stability.

HB 1553, under the pretext of "consumer protection," would strip Pennsylvanians of the choice to opt into these regulated and valued services that prevent bounced checks and account closures.

Consumers consistently express support for overdraft protection and oppose its elimination through legislative action. Congress recently overturned a regulation targeting such programs affirming their continued importance and consumer demand.

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Financial Institutions Support Informed Financial Choices

In addition to offering overdraft services, financial institutions provide education and counseling to help accountholders manage their finances responsibly. This includes:

- One-on-one financial counseling for customers who frequently rely on overdraft services.
- Budgeting tools and workshops to help individuals track expenses and avoid unintentional overdrafts.
- Alerts and digital tools that notify customers of low balances or pending payments.
- Alternative products such as linked savings accounts or small-dollar loans designed to reduce reliance on overdraft fees.

These efforts empower consumers to make informed financial decisions and strengthen long-term financial wellness.

Removing access to overdraft programs without offering better alternatives does not serve the needs of the financially vulnerable—it removes a safety net and limits choices.

Nonsufficient Funds Charges Serve an Important Purpose

NSF charges reimburse banks and credit unions for the cost of returning item presented for payment in excess of account balances. HB 1533 prohibits imposing more than three NSF changes in a single day, regardless of how many items are presented for payment in excess of available funds.

HB 1553 is Federally Preempted

HB 1553 would violate the National Bank Act, Federal Credit Union Act and the Commerce Clause of the U.S. Constitution. It could only apply to Pennsylvania - chartered banks and credit unions which would place them and their customers at a distinct competitive disadvantage compared to federally regulated banks and credit unions. Thus, if enacted, Pennsylvania-chartered institutions would be incentivized to convert to a federal charter.

HB 1553 will adversely affect customers of financial institutions

Selective price controls, such as those imposed by HB 1553, are likely to increase other fees imposed on customers who do not use overdraft protection services or write bad checks and may limit the ability of financial institutions to provide credit and other services. The legislation may also cause financial institutions to close the accounts of customers who extensively rely on overdraft protection services or incur multiple NSF changes on a single day to avoid losses. If overdraft protection services are not provided to some or all customers, customers may also be subject to higher bad check charges imposed by merchants.

HB 1553 is unnecessary, misguided and should be rejected

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