



CONSUMER  
BANKERS  
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## Nationwide Survey of Consumer Overdraft Services Use and Sentiment: Post COVID-19 Pandemic

What do consumers use overdraft services for?

Absent overdraft as an option, what costs would consumers face?

March 2024

# What are we exploring?

Despite significant research on consumer use of overdraft services, it isn't clear *what* consumers use overdraft services for.

Similarly, studies of overdraft services frequently fail to explore consumers' alternatives to overdraft services.

Prior research has generally explored:

- Rates of overdraft usage
- The demographics of consumers that overdraft (e.g., race, income, and financial health)
- Size of overdraft amounts

## What are we exploring?

Despite significant research on consumer use of overdraft services, it isn't clear *what* consumers use overdraft services for.

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Can policymakers understand the costs and benefits of overdraft services, without understanding costs consumers would incur if they could not overdraft?

# Methodology

In February 2024, we conducted a nationwide on-line survey of consumers.

N=919 adults nationally

This total includes an “oversample” of 119 interviews who self identified as overdrafting in the last 12 months (for a total of 400 overdrafting adults).

We fielded via the online Dynata panel from February 5-17, 2024.

We created a nationally representative sample weighted by age, gender, region, race, education, income, and political identification, as informed by the most recent census data.

Margin of Error:

- Overall adult population: +/-3.5%
- Overdrafting adult population: +/-4.9%

Our base rate of overdrafting (35.1%) was higher than other previous studies. A similar online survey by the Federal Reserve Bank of Philadelphia found a 29% overdraft rate during the pandemic. That research, as well as research from the CFPB and the Federal Reserve Board’s Survey of Household and Economic Decisionmaking (the “SHED”) asked whether a consumer was charged a fee – whereas our questions were not. Also, our survey uses a non-probabilistic [sampling used by the Federal Reserve Bank of Philadelphia](#), whereas the SHED and Financial Health Network surveys relied on probabilistic sampling methods. In an abundance of caution, we weighted our “overdraft” response down to 32% for any statistics about the broader population.

For questions or additional information about our methodology or survey instrument, please contact Weston Loyd - [wloyd@consumerbankers.com](mailto:wloyd@consumerbankers.com).

## Top-line takeaways

- Consumers report that they primarily use overdraft services on important and necessary day-to-day purchases.
  - Many of the transactions that triggered overdraft charges would have countervailing fees or costs if paid late (e.g., utility bills, car payments, rent/mortgage, food).
- Consumers that identify as frequently overdrafting also report that they lack credit alternatives.

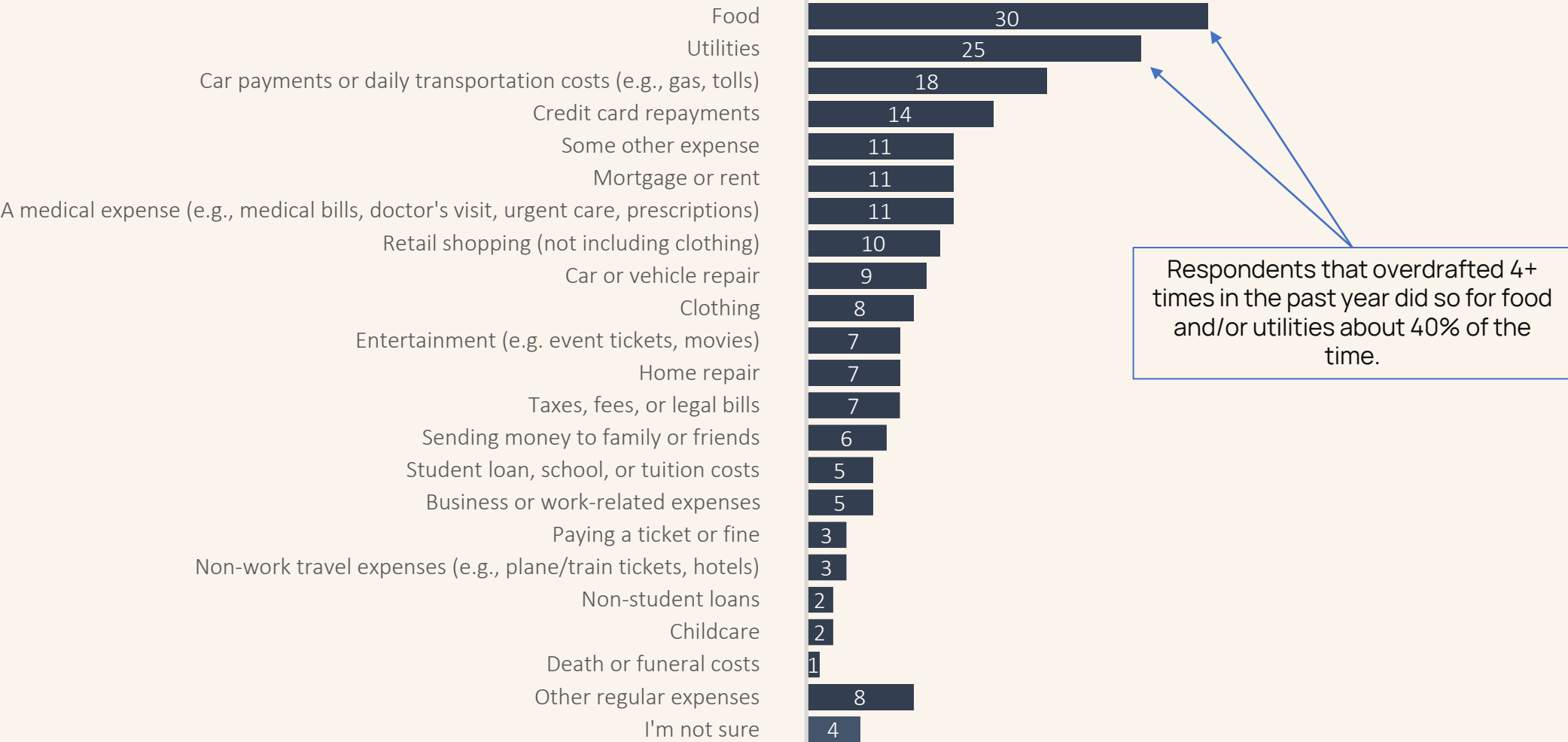
## Consumer Sentiment Takeaways

- At first blush, respondents, whether they overdraft or not, believe that banks should only be allowed to recover the costs of providing overdraft services . . .
- . . . however, respondents change their minds when asked if they're willing to pay monthly fees for their checking accounts.
- Respondents that actually use overdraft services are much more likely to view the services (and their banks) favorably than respondents that are less likely to need overdraft services.

Exploring costs and benefits for consumer use of overdraft services in the context of their alternatives

# Consumers tend to use overdraft services on important and necessary day-to-day purchases.

Most recent expense where overdraft was used

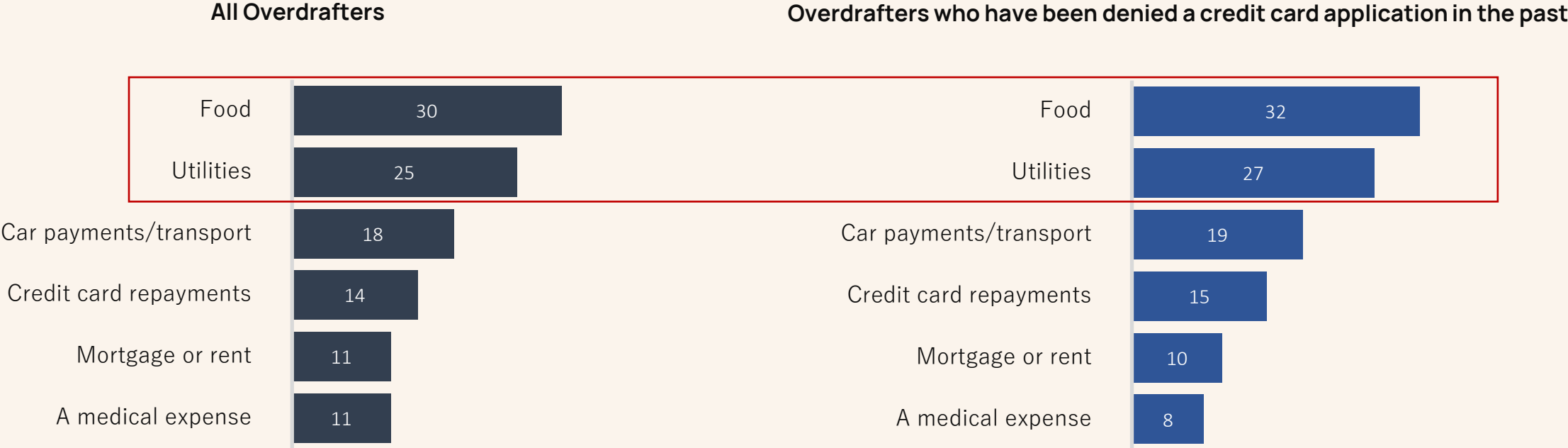


Q. (IF OVERDRAFTED IN LAST 12 MONTHS) Thinking about the most recent time you overdrafted an account, for which of the following expenses did you use overdraft?



The rate of overdraft used for food and utility purchases increases for respondents who self-report as having been denied access to a credit card.

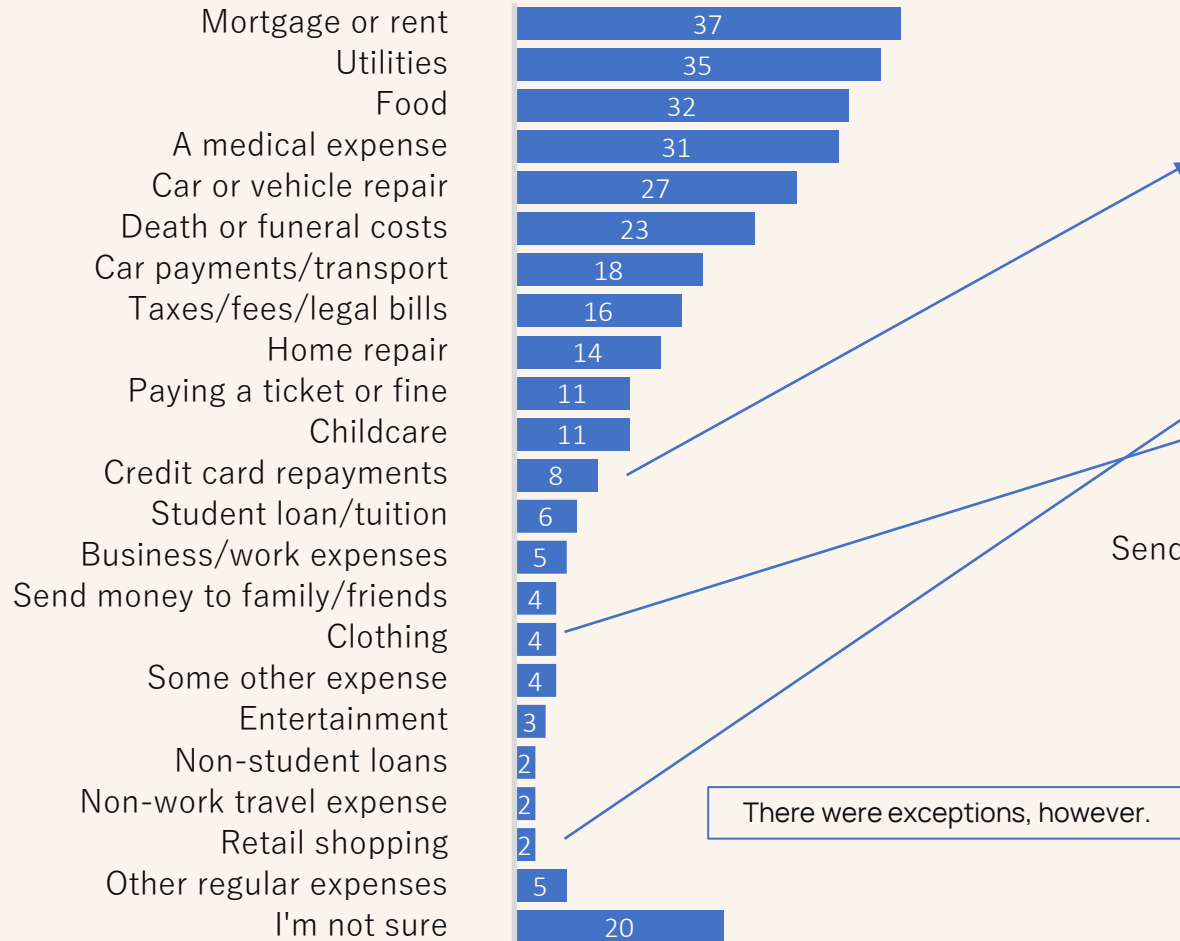
### Most recent expense where overdraft was used



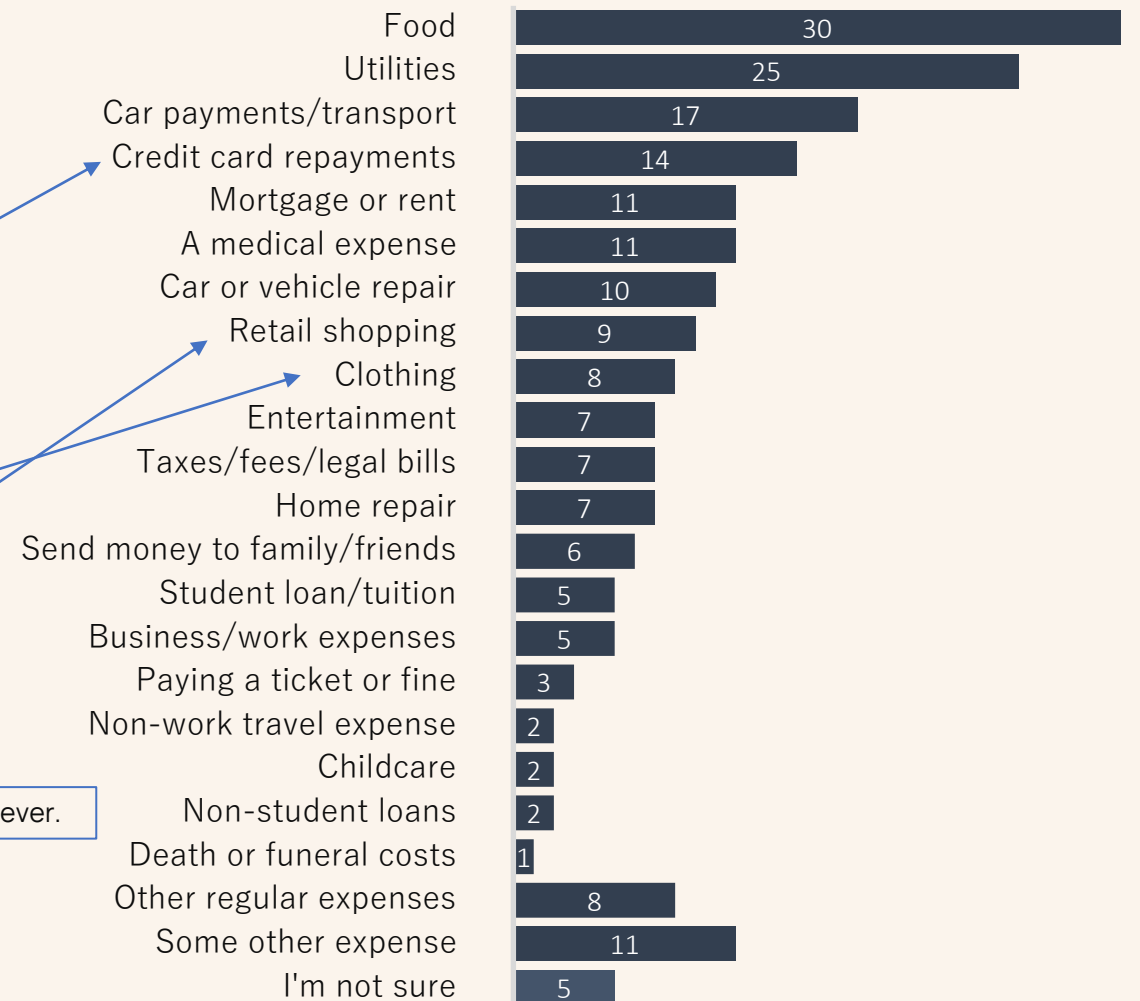
Q. (IF OVERDRAFTED IN LAST 12 MONTHS) Thinking about the most recent time you overdrafted an account, for which of the following expenses did you use overdraft?

# Overdraft usage is consistent with how consumers think overdraft should be used.

Expense that is worth paying an overdraft fee to cover



Most recent expense where overdraft was used

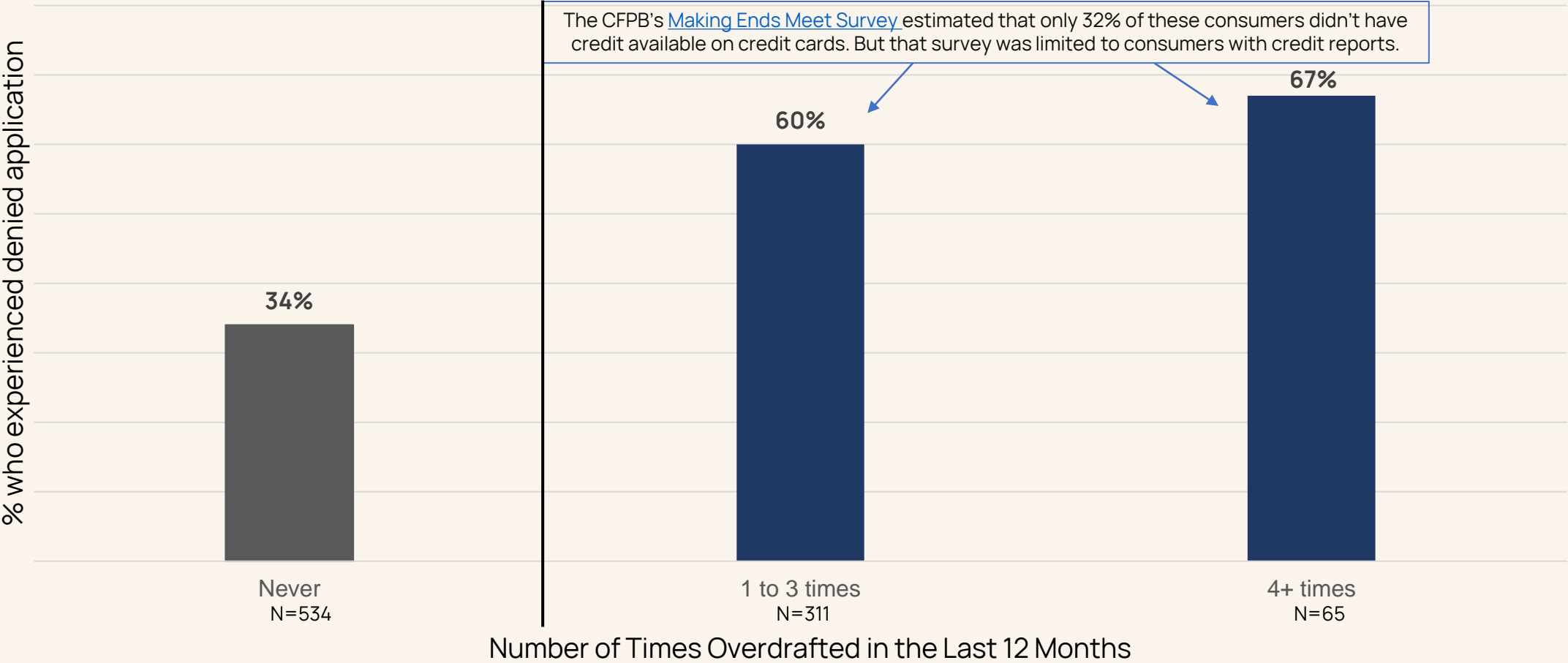


There were exceptions, however.

Q. (Left) For which of the following expenses would it be worth it to pay an overdraft fee? Please select all that apply.

Q. (Right) (IF OVERDRAFTED IN LAST 12 MONTHS) Thinking about the most recent time you overdrafted an account, for which of the following expenses did you use overdraft?

Consumers that frequently overdraft lack credit alternatives. Frequent overdrafters were more likely to report having a credit card application denied.



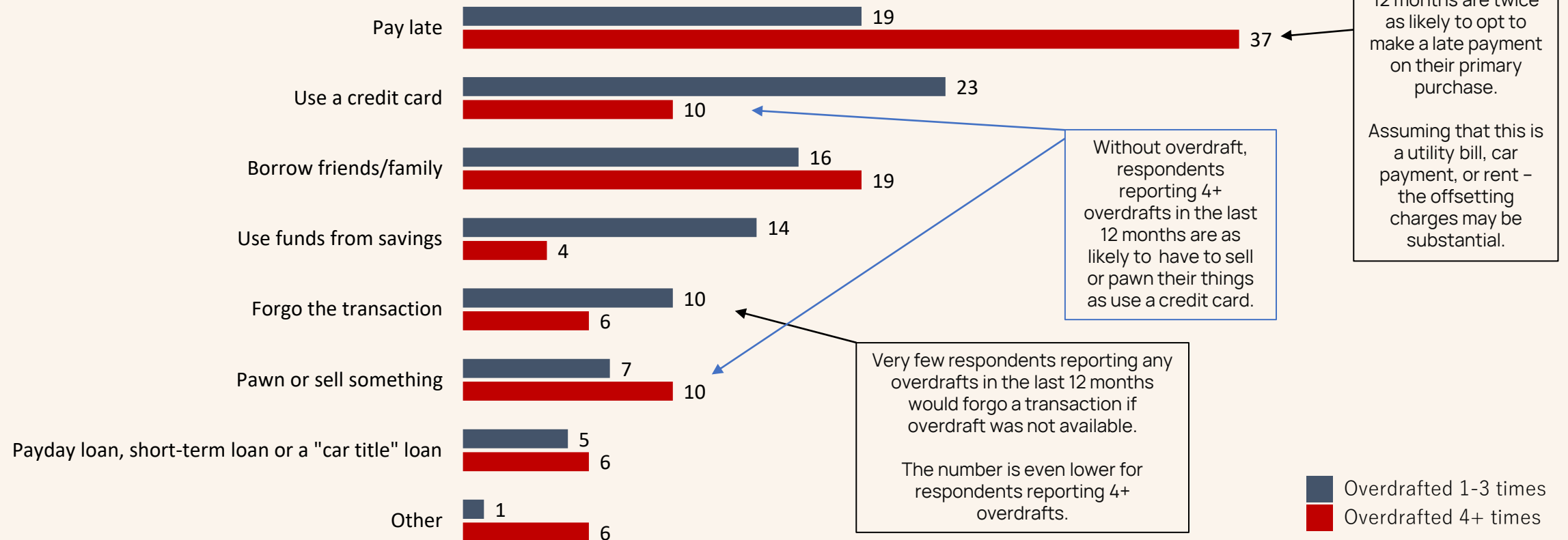
\*1% stated they were unsure if they had been denied a credit card in the past

Q. (Vertical) Has the following ever happened to you: Having a credit card application denied?  
Q. (Horizontal) To the best of your knowledge, how often have you overdrafted in the last 12 months, whether knowingly or unknowingly?

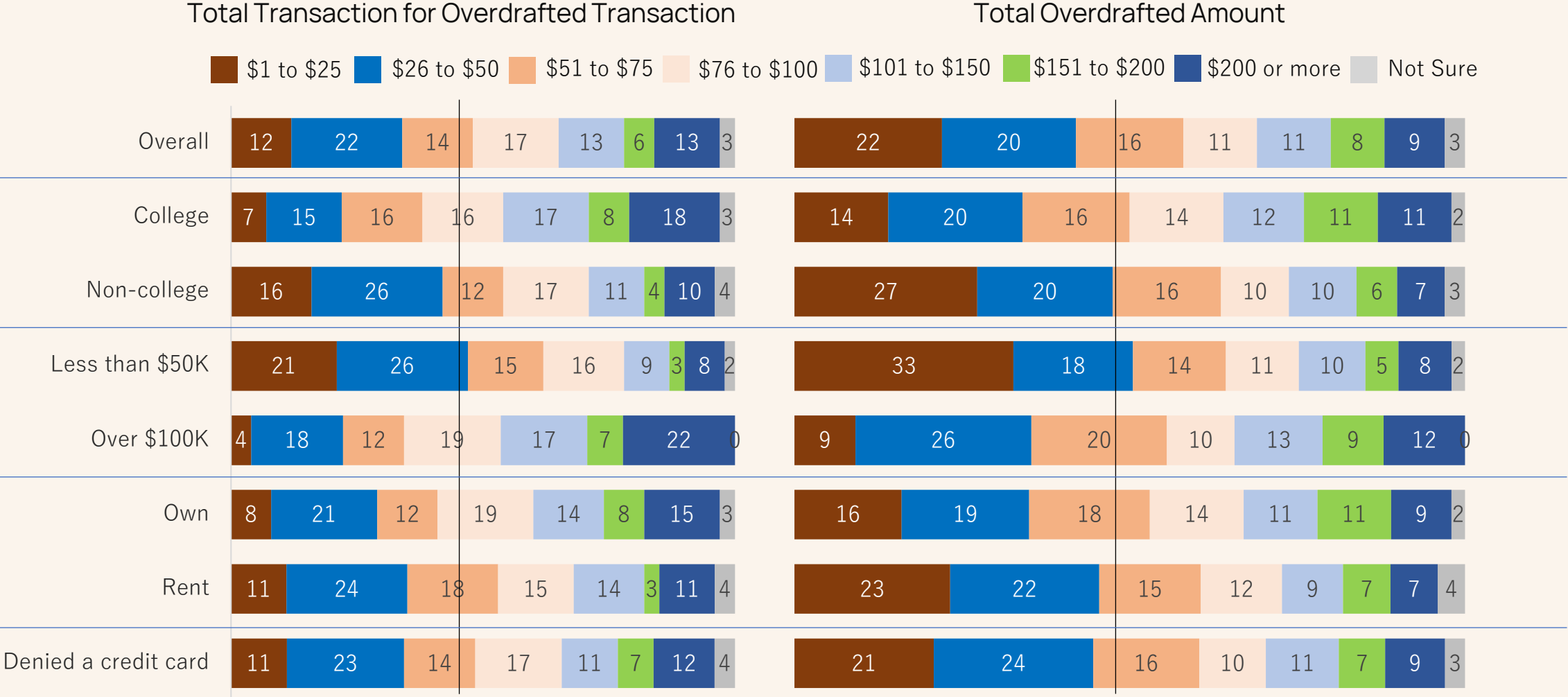
# Consumers that overdraft frequently lack credit alternatives.

Amongst overdrafters:

If you had not been able to use overdraft for that transaction, what other option would you have used?



# Two-thirds of overdrafts are for transactions over \$50. Over half of overdraft amounts are over \$50.



Q. (Left-side) (IF OVERDRAFTED IN LAST 12 MONTHS) Thinking about the **most recent time** you overdrafted an account, about how much was the **total** transaction where you used overdraft?  
 Q. (Right-side) (IF OVERDRAFTED IN LAST 12 MONTHS) Thinking about the **most recent time** you overdrafted an account, roughly what amount did you overdraft (in other words, by how much did you **go over** your account balance)?

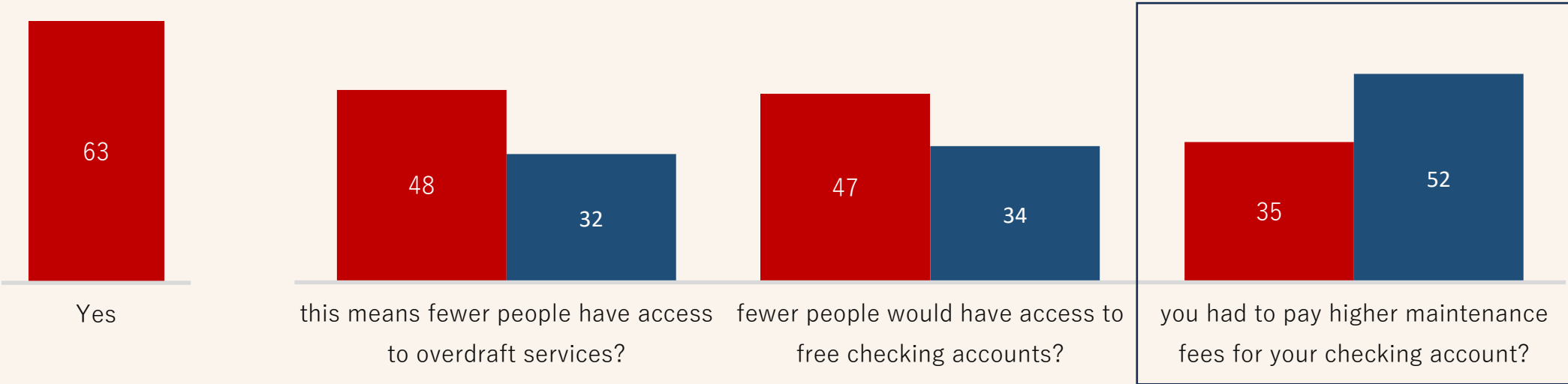
# Exploring consumer sentiment

Among the general public, respondents initially think that banks should only be able to recover costs when providing overdraft services. . . but reconsider when asked to consider a monthly maintenance fee.

Generally, do you think that banks should only be able to charge customers the amount needed to cover the cost of the overdraft services and nothing more?

Would you feel the same way if...

Yes  
No



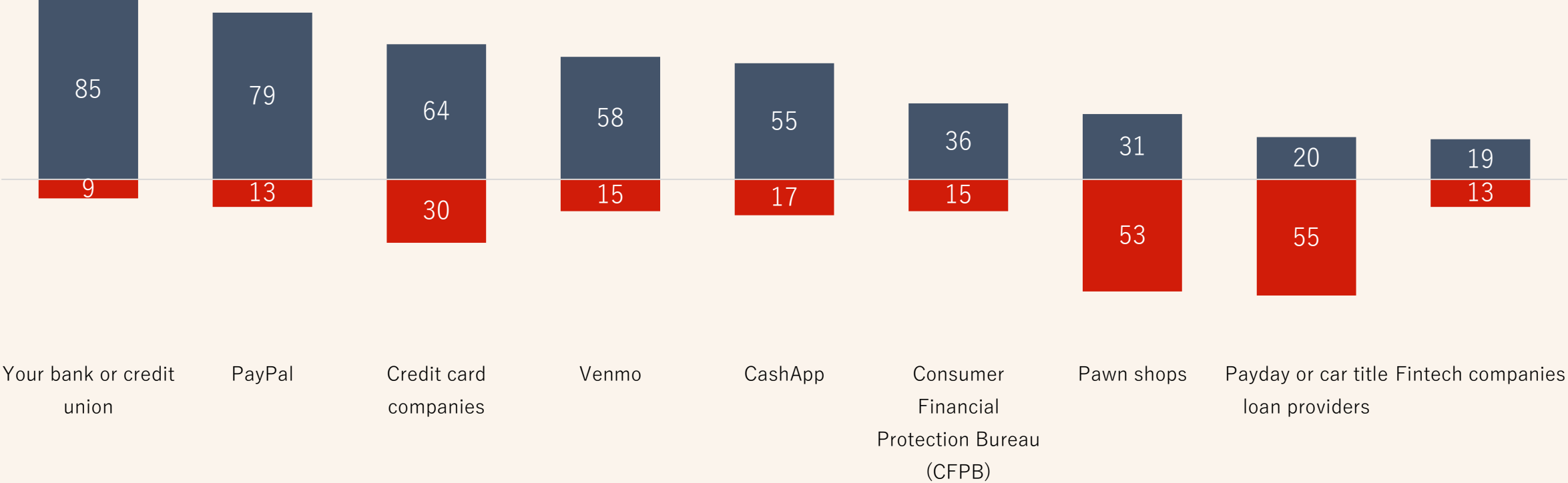
Q. (Left) Generally, do you think that banks should only be able to charge customers the amount needed to cover the cost of the overdraft services and nothing more?

Q. (Right) You indicated that you believe banks should only be able to charge customers the amount needed to cover the cost of overdraft services. Would you feel the same way if...

Among the general public, respondents generally like their banks or credit unions.

Institution and Company Favorability Across All Respondents

Favorable Unfavorable



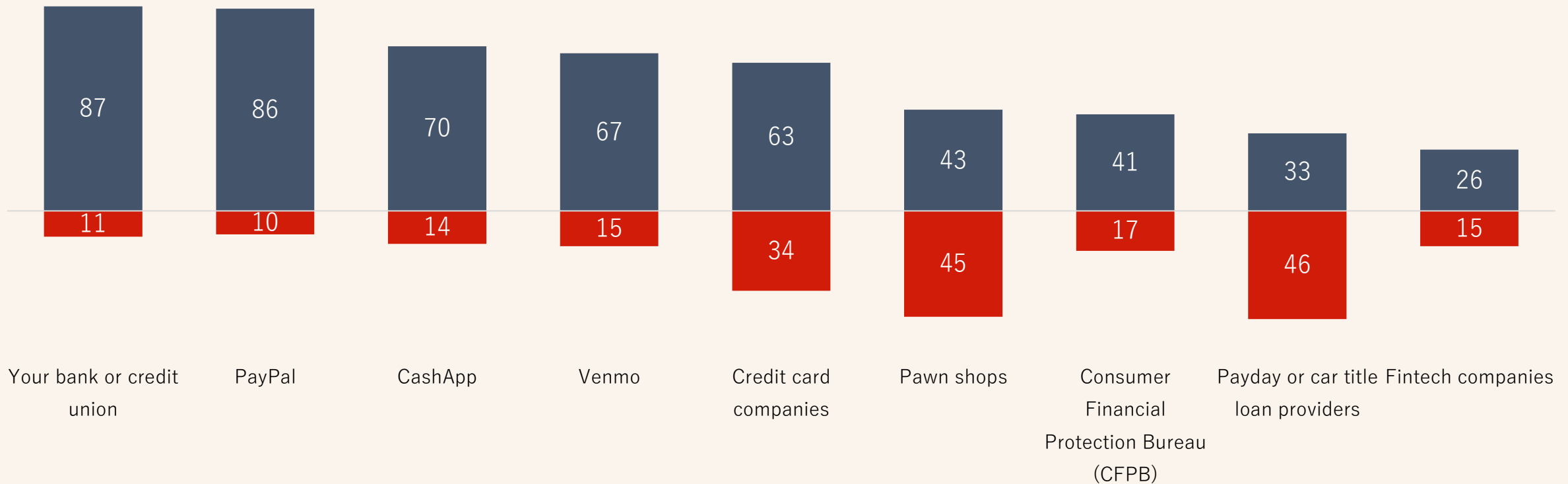
Q. For each of the following, please indicate whether you have a favorable or unfavorable opinion. If you do not have an opinion or have never heard of this, please indicate so.



# Respondents who overdraft also continue to favor their banks and credit unions.

Institution and Company Favorability Amongst Overdrafters

Favorable Unfavorable



Q. For each of the following, please indicate whether you have a favorable or unfavorable opinion. If you do not have an opinion or have never heard of this, please indicate so.

## Non-representative open-ended responses

### “Why I chose to overdraft” (< \$35k)

- “I have no other options. I cannot borrow money, and do not have credit.”
- “Because i knew the penalty and I had to do it, I was running so low on food. I am currently under employed. I have some on call part time job but that is not enough. I took the hit knowing it was an expensive option. I ran the card anyways.”
- “I had to over draw checking account to pay for motel room for me and my cats because my apartment that i had already paid rent for the month wasn’t safe to stay at.”
- “I used overdraft services because i hate asking anybody for money. I feel like a bum when i ask but if its my last option i will.”
- “its easy money and im not borrowing from family or friends im borrowing from my self”
- “Because I used that before and it is very helpful and gives me money when I really need it most.”

For low-income respondents, many responses illustrate a lack of credit alternatives – even for day-to-day expenses.

But we also see themes of overdraft providing an avenue for self-determination

We also begin to see responses discuss ease of use

## Non-representative open-ended responses “Why I chose to overdraft” (\$35-75k)

- “i had no choice but to till i got money”
- “Because if it just overdrafts I can pay it back once I get paid”
- “Its easy to pay “
- “privacy and convenience “
- “There's been times I've had to overdraft my account due to bills. I'm very independent and rarely ask for help unless I really need it. Overdraft services help so I can reduce having to pay other people back. “
- “Because it's the fastest way to pay a bill with money that you don't have.”
- “Because at least that way you're not asking to borrow money.”
- “It's convenient and easy”

With the next income band, still below many definitions of middle class, a lack-of alternatives is less frequently discussed.

Positive comments from Respondents instead tend to overdraft as enabling independence and, separately, ease of use.

Highlighting one finding that differed from prior research:  
The proportion of very frequent overdrafters

We find different rates of very frequent overdrafters than prior research.

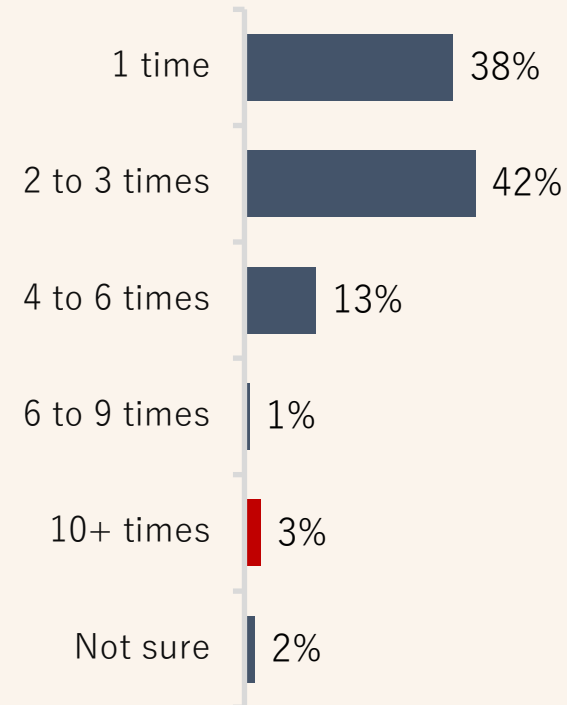
The CFPB's [proposed rule](#), citing to 2011-12 data, represents that vast majority of overdraft fees are paid by 9% of consumer accounts (e.g., overdrafters and non-overdrafters) who pay 10 or more overdrafts/NSFs per year.

More recent survey data from the [Financial Health Network](#) shows higher rates of consumers that report overdrafting over ten times – 9% accounts that overdrafted at least once.

Similarly, the CFPB's [Making Ends Meet survey](#) shows that 14% of consumers that overdrafted at least once report being charged 10 or more overdraft fees in the last year (3.2% of all consumers).

In our survey, by contrast, 3.2% of Respondents that report overdrafting at least once report that they overdrafted ten or more times in the last year. (This is less than 2% of our overall sample, overdrafters and non-overdrafters.)

“How often have you overdrafted in the last 12 months?”



Q. (IF OVERDRAFTED IN LAST 12 MONTHS) To the best of your knowledge, how often have you overdrafted in the last 12 months, whether knowingly or unknowingly?

We find different rates of very frequent overdrafters than prior research.

The difference in rates of very frequent overdrafting may be due to the “[Pandemic Paradox](#)” – in which many consumers emerged from the COVID-19 pandemic with higher savings and lower debt.

But the difference in rates may also be attributable to a range of recent market innovations that reduce the likelihood that consumers will pay fees for overdraft transactions.

- According to the CFPB, overdraft/NSF revenue in May 2023 was [down nearly 50%](#) from pre-pandemic levels.
- Per CFPB [summaries](#) of industry innovation, 17 of the top 20 banks based on overdraft revenue have either eliminated overdraft fees or included a cushion of at least \$5 before an overdraft fee is charged.
- Each of the top 20 banks based on overdraft revenue have instituted a daily cap on the number of overdraft fees.
- 16 of the top 20 banks based on overdraft revenue have eliminated “extended” or “sustained” overdraft fees, charged when the account is not brought back to a positive balance after a certain period of time.
- And as of June 2023, 14 of the CFPB’s top 20 banks based on overdraft revenue have introduced “Next Day Grace” or eliminated overdraft fees.

[https://files.consumerfinance.gov/f/documents/cfpb\\_overdraft-table\\_2023-05.pdf](https://files.consumerfinance.gov/f/documents/cfpb_overdraft-table_2023-05.pdf)