



April 1, 2024

Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

RE: Docket No. CFPB-2024-0002; RIN 3170 AA42

Director Chopra:

Woodstock Institute and the Consumer Financial Protection Bureau (CFPB) have enjoyed a respectful and productive relationship over the last few years. We appreciate the thoughtfulness and approach of the Bureau but also recognize the difficult balance of being a consumer protection and regulatory agency while, at the same time, ensuring the success and stability of the financial industry that serves those consumers. The proposed rule “Overdraft Lending: Very Large Financial Institutions” is a good example of searching for that balance.

While we largely agree with our fellow consumer, civil rights, legal services and community groups on the merits of this proposed rule (which is why we agreed to add our name to the over 100 other organizations in a sign-on comment letter), there are a few key points of concern we feel justifies a separate and short comment.

On March 15, 1981, groundbreaking Chicago community activist Gale Cincotta gave a speech at the Tenth Annual National People’s Action convention held in Baltimore, Maryland. In that speech, she stated that the “carriers of gloom” never understood “how much neighborhood people knew how to survive.” She went on to state that:

They said that we didn’t know economics. If we knew how to provide for our families, if we knew how to feed our families, heat the house and do all of those things, we knew economics better than anybody that came out of Harvard or MIT.

As Woodstock Institute continues to study the impact of shutting down the predatory lending industry in Illinois as a result of the passage of the Predatory Loan Prevention Act, our outreach to community members shows that Gale Cincotta’s words still ring true four decades later. Consumers with limited financial resources are incredibly talented at budgeting, and have found ways to use every tool that the market provides in order to make their monthly budgets pencil out. This includes comparing options when cash is short: the cost of credit card late fees compared to the cost of a payday loan compared to the cost of overdraft fees compared to the cost and risks of pawn loans, etc. It is expensive to be poor in this country, and low-income people are often savvy consumers out of necessity.

We are wholeheartedly supportive of lowering the cost of overdraft fees due to the impact they have on lower-income families and communities of color. But, we are also wary of the unintended

consequence should overdraft fees be so low as to increase the cost of fraud and collections to financial institutions. Such real or perceived losses could be used as an excuse by the financial industry to stop offering overdraft to their customers, and we know that it is too often lower-income consumers who bear the brunt of a financial institution's increased costs. Losing this critical tool would lead many to turn to more predatory sources of short-term liquidity.

The CFPB is in a much better position than Woodstock Institute to work with the financial industry and use a data-informed approach to find the balance between maximizing financial relief to the users of overdraft while, at the same time, minimizing the possibility of increased fraud and collections (real or perceived). However, we do know that overdraft is a valuable tool and resource that represents an important layer of the capital-stack that lower-income families use when cash is short. Irrespective of good intention, the loss of this product would cause harm. We urge the CFPB to set the benchmark fee as low as possible while maintaining the viability of overdraft as a business line.

We are supportive of the CFPB's ambition and stated outcome to reduce junk fees, and are supportive of this rule. We encourage the agency to work with the financial industry to find the right balance, and to track after the rule's implementation any industry movement towards limiting or eliminating access to this product. As always, while we work to stop predatory financial practices and lower the cost of the kinds of credit that consumers tend to access when cash is tight, we also fight for policies and programs that create wealth-building opportunities and promote financial stability, in hopes that fewer consumers experience a cash crunch in the first place.

Woodstock Institute thanks you and your team at the CFPB for your work on this and so many other important consumer protection issues.