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July 26, 2022

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

**Re: Opposition to the Overdraft Protection Act of 2021 (H.R. 4277)**

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the Independent Community Bankers of America (ICBA) and the nearly 50,000 community bank locations we represent, I write to express our strong opposition to H.R. 4277, which is scheduled for committee markup on July 27. H.R. 4277 contains overdraft restrictions that would force many community banks to stop offering overdraft protection services to customers, consequently resulting in bounced checks, declined debit card transactions, and credit rating harm, among other unintended consequences. Recent amendments to the bill by Rep. Carolyn Maloney do not address these fundamental concerns. **Accordingly, we urge all committee members to vote NO on H.R. 4277.**

Community banks offer many deposit account services to address a variety of consumer needs in a highly competitive financial services marketplace. Community bank overdraft protection services accommodate customers by helping them avoid late payments from bounced checks as well as providing tools for our customers to responsibly manage their finances. These services take a variety of forms. For example, a customer may choose to transfer funds from a designated account or line of credit to avoid an overdraft. In addition, community banks offer safeguards to help prevent customers from overdrawing their accounts by alerting them in the event of low balances and transaction activity that may result in insufficient funds.

As drafted, H.R. 4277 undermines overdraft protection services that our customers request. For example, the bill allows a financial institution to only charge an overdraft fee no more than once per month and no more than six times a year. Once that limit has been exceeded, the consumer would effectively be stripped of overdraft protection coverage for the remainder of the month or year and would be left unprotected from having future transactions declined or returned unpaid.

In recent years, a variety of new e-commerce transactions have entered the market creating new overdraft risks, not only ATM and point of service (POS) debit transactions, but also online and mobile POS transactions generated by an ever-increasing number of merchants and service providers. The risk of consumer overdraft is greater than ever. As a result, community banks have continued to expand the features of overdraft protection programs provided to consumers. In many cases, when overdrafts occur, it is in the consumer’s best interest for their bank to pay transactions rather than returning items unpaid and triggering fees levied by merchants, utilities, landlords, and other creditors, or even loss of service. H.R. 4277 does

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nothing to address these fees or other consequences of missed or late payments. The credit reporting provisions of H.R. 4277 would not prevent negative reporting from payees as a result thereof.

**We urge all members of the House to vote against H.R. 4277 to preserve community bank overdraft services as an alternative to payday loans and non-traditional loan products.**

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey  
President & CEO

CC: Members of the House Financial Services Committee

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