

CFPB's overdraft fee rule protects servicemembers and military families

The Consumer Financial Protection Bureau's (CFPB) overdraft fee rule will discourage financial institutions from abusive and predatory overdraft practices, which often target servicemembers and military families.¹ Banks charge overdraft fees for covering transactions that exceed account balances, but these charges can be illegally or unfairly applied and overdraft fee revenue has become a major profit center for some institutions. Banks such as USAA and Wells Fargo² purport to serve the military community but have been sued for gouging service members with improper bank fees and illegally high interest rates.³

The overdraft fee rule will directly benefit military families living paycheck to paycheck:

Nearly 80 percent of military families use checking accounts,⁴ and the CFPB's overdraft fees rule will save households that pay overdraft fees \$225 each year. Excessive overdraft fees are particularly harmful for junior enlisted service members, who are often young, less financially savvy, and struggling to make ends meet.⁵ Curbing excessive overdraft fees will lessen financial challenges faced by financially vulnerable military families, such as being unable to save money (51 percent of military families), experiencing financial emergencies (57 percent of military families), and being food insecure (14 percent of enlisted military families).⁶ For these households, excessive overdraft fees can literally take food off the table.

Deceptive bank practices can impose unfair overdraft fees: Servicemembers have filed many CFPB complaints over unfair or deceptive overdraft practices that imposed mounting and unaffordable fees. A Michigan service member reported that their bank apparently rigged the transaction order and refiled transactions that increased the number of overdrafts. "Sometimes the transactions don't appear for days, making it difficult to estimate how accurate my online checking is. Sometimes Fifth Third Bank reorders the charges and purchases so that the largest charge or purchase is the first one paid by the bank, and smaller charges are used to rack up overdraft fees of \$37 each. The bank did this to me twice in less than a week," amounting to overdrafts of nearly \$400.⁷

Some servicemembers reported overdrafts on accounts that had opted out of overdraft protection or when there were sufficient balances to cover the transactions. A service member from Connecticut reported that Wells Fargo "acted in a number of predatory ways" including that even though the account had "overdraft protection turned OFF and am still having money taken out of my account and then charged \$35 every time anything comes in, instead of these payments being denied" that has caused a negative balance from overdrafts that should have been denied.⁸ An Indiana service member reported the same problem with Wells Fargo improperly charging overdrafts although they had opted out of overdraft protection.⁹ A veteran from Arizona sent screen shots to the CFPB "so you can see I am in the black and then bam, they charge me overdraft fees" that overdrawn their USAA account and led to their credit card charging them additional fees.¹⁰ Another USAA customer was encouraged to get overdraft protection tied to their credit card and ended up with a \$100 overdraft that cost \$400 in USAA credit card interest charges for a cash advance.¹¹

Veterans on fixed incomes are especially vulnerable to expensive overdraft fees. Overdraft fees can be especially damaging for veterans who live on fixed incomes. Several veterans filed complaints with the CFPB for overdrafts that occurred while they were hospitalized. A Delaware veteran reported that they did not turn off autopay before going into the hospital and their account became overdrawn, leading

to \$300 in fees and that “these overdraft fees have me in such a bind that my health is being impacted.” and concluded that “I am just one person — a drop in the bucket — and the bank should not need my blood” and the fees just “penalize a sick man and veteran.”¹² A Colorado veteran that lives on a fixed income *did* turn off their overdraft protection before a hospital stay to avoid the \$34 fee, but “despite doing this well in advance, Chase proceeded to clear all these charges to my debit card, overdrafting my account over \$400 [...] from overdraft fees on transactions I did not authorize and for overdraft coverage I declined” and concluded that “these outrageous fees are clearly predatory” and “wildly unfair that people like me should continue to be preyed upon by big banks that rake in billions of dollars.”¹³

The overdraft fee rule will curb abuses like Navy Federal’s \$80 million in illegal fees. Since 2015, Navy Federal Credit Union has ignored regulators’ warnings not to charge overdraft fees for insufficient funds days or weeks *after* charges were incurred (which cost Navy Federal’s customers \$44 million annually). Last year, Navy Federal was ordered to refund \$80 million to its customers, largely servicemembers and veterans.¹⁴ Another \$4 million in surprise overdraft fees had been collected annually from customers who were not told that deposits from payment apps like Zelle, PayPal, and Cash App would not be available until the following business day if received after 8 PM. A Virginia service member reported that Navy Federal imposed overdrafts because “the balance displayed often does not accurately reflect my available funds. This has led to unintended overdrafts, especially when using payment services.”¹⁵

Many servicemembers reported that Navy Federal’s overdraft practices appeared to lead to unfair and improper fees. A Florida service member reported getting “charged an overdraft fee even when sufficient funds were available in our account. They would alter the ‘postdate’ to ‘legally’ impose these fees whenever possible.”¹⁶ Another Florida service member reported they could not resolve these issues with Navy Federal, stating, “I would even call them to let them know there should not have been a fee, because at the time of the purchase, I had sufficient funds. They would just tell me since it posted late, I would still be charged overdraft fees.”¹⁷

These kinds of practices harmed servicemembers and their families. A Tennessee service member told the CFPB that Navy Federal “hurt me financially” by overdrafting the account when there were funds available or by improperly crediting the account “at an adequate time for my account to use, causing overdrafts.”¹⁸ In 2014, Navy Federal customer Cpl. Rosalio Montes withdrew \$500 for a family emergency that resulted in the \$60 for three overdraft fees because it exceeded his \$200 withdrawal limit and he admitted he was “in too deep” and could not support his wife and children.¹⁹

Endnotes

¹ For example, Armed Forces Bank, which exclusively serves current and former military, has made more than 75 percent of its profit on overdraft fees for each of the last seven years. Klein, Aaron. Brookings Institute. “[Getting over overdraft.](#)” Brookings. November 7, 2022.

² Wells Fargo. “[Wells Fargo Worldwide Military Banking.](#)” Accessed February 13, 2025.

³ Kime, Patricia. “[USAA to Pay \\$64.2 Million to Service Members in Settlement over Improper Bank Fees, Interest.](#)” *Military.com*. August 6, 2024; Chakravarty, Rajashree. “[Wells Fargo overcharged military members, lawsuit claims.](#)” *Bankingdive*. March 26, 2024.

⁴ Armed Forces Bank. [Report]. “[Military Readiness Financial Readiness Report.](#)” May 2024.

⁵ Marrone, James and Carter, Susan. CFPB. “[Financially Fit? Comparing the credit records of young servicemembers and civilians.](#)” July 2020.

⁶ [Armed Forces Bank](#) (2024); Toropin, Konstantin. “[As US Troops and Families Go Hungry, They Don’t Trust the Pentagon for Help.](#)” *Military.com*. November 19, 2021.

⁷ CFPB Complaint database. Complaint ID: [2466072](#). April 25, 2017.

⁸ *Ibid.* Complaint ID: [3079594](#). November 20, 2018.

⁹ *Ibid.* Complaint ID: [3234137](#). May 6, 2019.

¹⁰ *Ibid.* Complaint ID: [4608755](#). August 6, 2021.

¹¹ *Ibid.* Complaint ID: [3126485](#). January 16, 2019.

¹² *Ibid.* Complaint ID: [2938873](#). June 18, 2018.

¹³ *Ibid.* Complaint ID: [5022096](#). December 18, 2021.

¹⁴ CFPB. [Press release]. “[CFPB orders Navy Federal Credit Union to pay more than \\$95 million for illegal surprise overdraft fees.](#)” November 7, 2024.

¹⁵ CFPB Complaint database. Complaint ID: [10744993](#). November 9, 2024.

¹⁶ *Ibid.* Complaint ID: [10750324](#). November 10, 2024.

¹⁷ *Ibid.* Complaint ID: [10745842](#). November 11, 2024.

¹⁸ *Ibid.* Complaint ID: [10746711](#). November 11, 2024.

¹⁹ Maremont, Mark and McGinty, Tom. “[Hefty Bank Fees Wavlay Soldiers: Banks That Market to U.S. Military Are Among Top Collectors of Fees.](#)” *Wall Street Journal*. January 15, 2014.