NCUA Call Reports: Overdraft Income Talking Points

Purpose:
Beginning March 31, 2024, the NCUA made changes to the Form 5300 – also known as the "Call Report" – requiring credit unions with assets over $1 billion or more to report the income earned through overdraft and NSF fees.

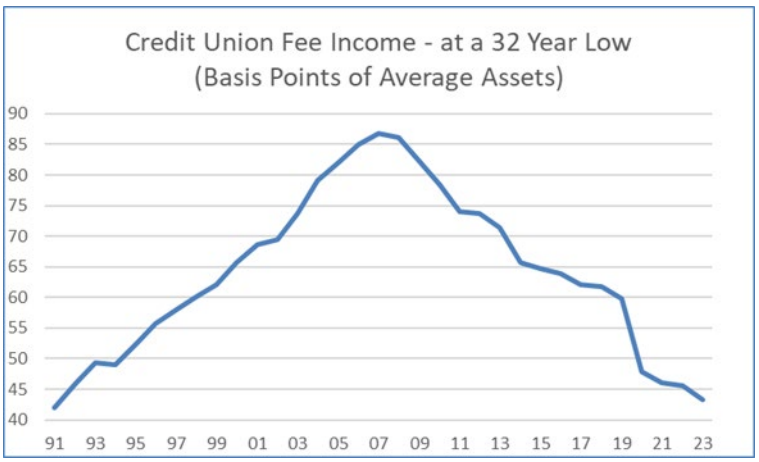
America's Credit Unions wrote to the NCUA to refrain from publicly disclosing certain data collected in the latest Call Report due to the potential for misinterpretation of data and the significant reputational and business risks to credit unions.

Below find key takeaways and supporting arguments to bolster messaging.

Talking Points

- Members opt-in to programs, such as overdraft protection, because they find value in it.
  - These value-based programs hold them accountable for their personal finance decisions.
  - **Example:** A Kentucky credit union shared they monitor every overdraft transaction, track excessive use, and has multiple internal controls to ensure members remain aware of the nature of the overdraft program. The credit union provides letters when members sign up, use overdraft for the first time, and if there is excessive use.
    - If they were to take out a member from the overdraft program, the credit union can see they go to a payday lender as a last resort.
- America's Credit Unions believes the changes to NCUA's call report requiring reporting of certain fee income is a policy that can ultimately be used against credit unions.
- America's Credit Unions has called on the NCUA to not publicly disclose this data – there is a legitimate concern that doing so will provide additional opportunities for cherry-picked data to be used against credit unions.
  - Publicly disclosing this data increases the likelihood that it will be misinterpreted without proper context, or manipulated to fit a certain narrative that poses significant reputational and business risk to credit unions.
- Many credit union members rely on overdraft services, which is why credit unions offer these services and consumers sign up for them.
  - This is the latest in efforts to jeopardize that lifeline, ultimately making consumers more financially vulnerable.
  - Consumers choose credit unions as their trusted financial institutions for a reason and the safety nets they provide keep them competitive.
  - Educational efforts, coupled with already present market driven changes to overdraft programs, are the reason credit unions have remained on the leading edge when it comes to member services.
- Credit unions seek fairness and transparency in the services they provide to their members, which ultimately benefits consumers and strengthens our financial system.
  - There is no need for government intervention – credit unions provide tailored offerings to meet members' needs and prioritize their financial wellbeing.

- Credit unions offer overdraft protection as a lifeline that allows members to avoid detrimental choices to make ends meet, such as relying on predatory lenders.
    - Comparing overdraft protection fees charged by prudentially regulated entities to predatory practices is unfair and misguided.
- Service fees, including those for overdraft protection programs, play a crucial role in sustaining the operational integrity of credit unions and ensuring the continued provision of essential and requested financial services to members.
    - These fees help cover the costs associated with maintaining accounts, processing transactions, managing risks, and other essential functions.
    - Credit unions are one of the best values for everyday Americans: Overall fee income at credit unions is at a 32-year low.
        - The safe financial services Americans receive from credit unions have never been more affordable. Service fees enable credit union members to pay for the products and services they actually need and use, without being nickeled and dimed.



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