



Senate Floor Alert

Date: May 10, 2024

To: All Members, California State Senate

From: The California Credit Union League

RE: Senate Bill 1075 (Bradford): Credit Unions: Overdraft and nonsufficient fund fees- OPPOSE

The California Credit Union League (CCUL) opposes SB 1075 as it creates a completely uneven playing field for state-chartered credit unions that wish to offer their members the services they desire.

Recent amendments remove the cap on the number of transactions, which was three per month, but replaces the transaction cap with a price cap of \$14 until the Consumer Financial Protection Bureau (CFPB) finalizes their proposed rule on courtesy overdraft for very large financial institutions. CCUL believes the price cap in SB 1075 should mirror the timing of the CFPB proposed rule to ensure parity for state-chartered credit unions compared to Wall-Street banks.

Moreover, recent amendments also shorten the period in which credit unions must wait to charge a fee from 5 days to 3 days. While we appreciate the effort to limit the waiting period, our member credit unions express serious concerns about the feasibility of implementing any waiting period. The current core processing systems, responsible for backend banking transactions, are not configured to accommodate such delays, posing significant challenges to implementation. Additionally, these systems represent a substantial cost for credit unions. As a result, feedback from members suggests that the waiting period will cause state-chartered credit unions to rethink offering courtesy overdraft pay to their members.

Credit unions, as not-for-profit member owned cooperatives, were established over 100 years ago to provide financial services to those overlooked by traditional lenders. Even today, credit unions specialize in serving the underserved, with nearly half of the state's credit unions categorized as low income designated and many as Community Development Financial Institutions (CDFIs). Overdraft services were introduced with this mission in mind, aiming to assist credit union members in accessing funds they lacked in their accounts. Overdraft protection is a service that ensures consumer transactions are covered if they do not have sufficient funds in a checking account so they can make their purchase as opposed to being declined at the register. Courtesy overdraft empowers consumers to manage their finances and meet their immediate financial needs. It's essential to highlight that consumers must **opt-in to** courtesy overdraft per federal Electronic Funds Transfer Act and Regulation E (12 CFR 1005.17). SB 1075 limits consumer choice and access to a financial tool that continues to be desired among credit union members.

For the reasons listed above, and more, the California Credit Union League urges a no vote on SB 1075. If you have any questions regarding the California Credit Union League's position, please contact Robert Wilson at (916) 325-1366 or Robertw@ccul.org.