



# OVERDRAFTS REBOUND SHARPLY IN 2012

*OD Revenue, OD Prices, OD Usage – All Increase, While Competition Lowers Price*  
 Lake Bluff, IL September 24, 2012

Fueled by increases in consumer demand and competitive market prices, overdrafts made a strong comeback in 2012, according to the latest study on overdrafts by Moebis Services, an economic research firm located in Lake Bluff, Illinois.

## Overdraft Revenue Gains

For the fiscal year ended June 30, 2012, overdraft revenue increased 2.1 percent to \$31.5 billion from \$30.8 billion in June 30, 2011. The \$700 million increase came from a 3.6 percent increase in price and a 1.4 percent decrease in volume.

Overdraft Revenue	
Period	Amount in Billions
June, 2012	\$31.5
June, 2011	\$30.8
June, 2010	\$34.8
June, 2009	\$36.4
June, 2008	\$36.8

Source: Moebis Service Surveys

In the 3rd Quarter of 2011 overdraft volume fell to a three year low at approximately one billion overdraft transactions, or a decrease of 32.5 percent from the same period in 2008. In 2012, overdraft transactions increased 6.8 percent in volume for the 9 month period from October 1, 2011 thru June 30, 2012. This increase was not sufficient to offset the decline for the first 3 months or 3rd quarter of 2011. It is important to notice this fall for the first 3 months and rise in the number of overdraft transactions for the next 9 months is playing out against the backdrop of increased scrutiny of overdrafts by the government and consumer advocates," stated Michael Moebis, economist and CEO of Moebis Services. "Despite

regulation and legislation, such as 2008's Truth in Savings, 2010's Reg E opt-in requirements, and the 2011 overdraft guidelines issued by the FDIC, consumers' use of overdrafts shows no indication of going away."

## The Group Pricing Approach Is Dying

The national median price for an overdraft went from \$28 dollars in June, 2011 to \$29 by June, 2012, a 3.6 percent increase. "More importantly, the range of prices among the four major regions in the United States suggests that pricing in financial services is not homogeneous in the U.S. We've not seen this since we began surveying fees 30 plus years ago," noted Moebis. The study found that Green Bay, WI was the market with the lowest overdraft price at \$8 for a transaction, while Gainesville, FL charges \$45. "We will be watching closely how this emerging trend will affect consumer usage of overdrafts, as well as where they choose to have an account," mentioned Moebis.

Overdraft Prices		
Region	Median Price June 2012	Median Price June 2011
East	\$30.00	\$27.00
South	\$30.00	\$30.00
Midwest	\$27.00	\$27.00
West	\$27.50	\$27.00
National	\$29.00	\$28.00

Source: Moebis Services Surveys

Range of Overdraft Prices			
Price Range	National	Banks	CUs
<\$20.00	4.2%	4.5%	3.9%
\$20 - \$29.99	51.9%	40.1%	63.5%
\$30 - \$39.99	43.2%	54.8%	31.8%
≥\$40	0.7%	0.6%	0.8%

Source: Moebis Services Surveys

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“This price diversity allows the consumer to opt for a low price overdraft service with a financial institution which has a safety net approach, as opposed to choosing a more expensive approach at a depository whose policy is to treat overdrafts as penalties,” remarked Moebis.

### Banks vs. Credit Unions

According to the Moebis study, credit unions have a national median price of \$27 per overdraft while banks are \$30 nationally. When depository size is taken into account, the difference between banks and credit unions differs significantly and assets size is more important.

Asset Size OD Prices		
Asset Size Billions & Millions	Median OD Price	
	Banks	CUs
>\$25B	\$35	-
\$5B - \$25B	\$34	\$25
\$1B - \$5B	\$31	\$28
\$500M - \$1B	\$30	\$28
\$100M - \$500M	\$30	\$28
<\$100M	\$25	\$25
National	\$30	\$27
Footnote: All CUs >\$5B shown in \$5B-\$25B Source: Moebis Services Surveys		

For example, community banks with \$100 Million in assets or less have the same price as credit unions of similar size. Both maintained the same median price of \$25 from 2011 to 2012. Credit unions greater than \$100 Million in assets, increased their median prices from \$27 in 2011 to \$28 in 2012. Those credit unions above \$5B in assets have maintained their price at \$25. “This also shows that there is greater diversity of price based on type and size of institution,” noted Moebis. “Consumers, who rely on overdrafts to meet their financial needs, will benefit from shopping around Main Street to find the best value.”

### Competition Reduces Price

38 million, or about 26 percent, of the 144,000,000 consumer checking accounts are frequent overdraft users. These frequent overdraft users are divided into about 20 million consumers who use payday lenders and 18 million who use banks and credit unions. “Rather than a bank or credit union, more consumers utilize payday lenders to cover an overdrawn balance in their checking account,” said Moebis. “The reason is the median charge for a \$100 advance is \$16.00. This is down from \$17.50 in 2011. A bank would charge \$30 and a credit union \$27. Our research shows the median overdraft account balance is about \$40. 57 out of 100 frequent overdraft users go to payday lenders when they are short on funds, because payday lenders are the low price source for short term cash needs.”

Median Charge for Overdrawn Account of \$40	
Bank	\$30
Credit Union	\$27
Payday Lender	\$16
Source: Moebis Services Surveys	

Moebis researches National Retail Merchants, who are defined as doing business in two or more of the major census regions in the USA. “57.2 percent of merchants accept checks and this number keeps falling about 5% a year,” observes Moebis, “Most surprising to us was these retailers dropped the median price of a bad check from \$30 to \$25 in the past year, and 3.9 percent do not charge a fee for bad checks which is 10 times more than in 2011. This is more evidence the user wants price value and safety net convenience in payment processing,” states Moebis.

“We expanded our independent survey this year to more than 2,700 financial institutions, a 10 percent increase from 2011.

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Having truly captured the massive alterations that have gone on in overdrafts in the past year, it's clear that overdrafts are going to be with us for a long, long time," sums up Moeb's.

### About Moeb's Services

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Since 1983, Moeb's Services has independently been collecting statistically significant, primary empirical data about financial institutions' services, pricing, operating expenses and financial condition and analyzing the data in a counter intuitive manner, which provides solutions that make sense. For more info please visit [www.moeb's.com](http://www.moeb's.com)