

Issue Brief

Financial Institution Service Fee Parity Legislation

Issue: Fees are Not Interest. H.B. 824 by Rep. Richard Smith (R-Columbus) clarifies that a variety of routine fees for banking services offered by state-chartered banks and credit unions will not be considered interest. The legislation is intended to clarify and confirm the Department of Banking and Finance's Declaratory Order last July related to overdraft fees. The legislation is intended to remove any ambiguity that Georgia-chartered banks and credit unions may continue to charge a fee that will not be considered interest for offering a range of services, including overdraft services. The bill creates parity between state-chartered and federally-chartered banks and credit unions operating in Georgia.

Statement: "This legislation related to a range of banking fees, including overdraft fees, is a validation of the law as we've understood it for many years: these fees are in fact fees and not interest. The legislation only applies to fees the customer and the financial institution have agreed to in writing. Georgia-chartered banks and credit unions providing overdraft services for customers are, and should continue to be, on a level-playing field with nationally chartered banks and credit unions where there is no question that fees charged by those nationally chartered institutions are not considered interest."

The proposed legislation provides clarity and consistency for all banks and credit unions doing business in Georgia while ensuring continued availability of common banking services to consumers and businesses.

- **Clarity.** The proposed legislation is merely clarifying and confirming a declaratory order issued by the Georgia Department of Banking and Finance related to overdraft fees. The legislation clarifies current law by specifying that fees charged for a range of banking services, including overdraft services, are not interest. The legislation only applies to fees the customer and the financial institution have agreed to in writing.
- **Consistency.** The legislation removes any ambiguity that Georgia-chartered banks and credit unions may continue to charge a fee for offering a range of services, including overdraft services, as can banks and credit unions with national charters.
- **Continued Consumer and Business Access.** Without this legislation, families and businesses that have chosen to do business with state-chartered institutions may not have access to valued services they have come to expect as basic account features for customers in good standing.