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Fighting Junk Fees

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"Junk fees" are hidden charges attached to goods and services such as loans, bank accounts, or purchases. These unexpected fees obscure the true price, make profit off of "gotchas," and prevent comparison shopping.

Consumers pay tens and maybe even hundreds of billions of dollars a year in junk fees on bank accounts, credit cards, rental agreements, and other goods and services. Junk fees are even tacked onto debts by debt collectors and by jails and prisons for necessities.

Here are highlights of NCLC's work to bring an end to junk fees.

White House Takes Aim at Junk Fees in Rental Housing, Banking, and More

The Biden-Harris administration announced new efforts to crack down on junk fees, including a Federal Trade Commission (FTC) proposal on junk fees imposed by many businesses, including landlords, and a Consumer Financial Protection Bureau (CFPB) guidance prohibiting bank fees for consumers to obtain basic information about their own accounts.

The FTC proposal would require disclosure of hidden junk fees, including those imposed on renters – building on an announcement from the White House in July. The proposal extensively referenced a National Consumer Law Center survey of legal services and nonprofit attorneys that identified the many, unavoidable junk fees that tenants face.

"We applaud the FTC for its proposed rule addressing hidden and misleading fees and for specifically focusing on junk fees in the rental housing context," **said Ariel Nelson, staff attorney at the National Consumer Law Center.** "We have seen unfair and exorbitant rental junk fees across the rental market, and we appreciate the FTC for taking a first step to curb this predatory practice. By requiring an 'all-in' price tag, the FTC will prevent surprise fees that disguise the true cost of housing. We urge the FTC to ultimately enact a rule that also prohibits the imposition of certain junk fees that put safe and decent housing even more out of reach for millions of low-income renters."

Rental Fees: Extra Charges to Renters and Rental Housing Applicants

To secure and maintain rental housing, renters today typically face a dizzying array of unavoidable fees. These junk fees render safe and decent rental housing even more out of reach because renters must pay them on top of sky-high rents.

To obtain detailed information about the state of rental housing-related junk fees, NCLC conducted a survey of legal services and nonprofit attorneys. NCLC's report, Too Damn High: How Junk Fees Add to Skyrocketing Rents, discusses the survey results and analyzes each type of rental junk fee in depth. The report also makes recommendations to the FTC, as well as state legislatures.

Citing the National Consumer Law Center report, the Biden Administration called attention to the significant harm that rental housing junk fees cause to tenants and outlined steps the Administration is taking to curb junk fees.

NCLC submitted comments to the Federal Trade Commission (FTC) and CFPB discussing the many fees charged to renters and rental housing applicants. We urged the FTC, the CFPB, and the Department of Housing and Urban Development (HUD) to work together to investigate and prevent the imposition of these junk fees so that they do not contribute to the already growing financial burden that renters in this country face.

Financial Products: Hidden Fees from Banks Accounts to Fintech Payday Loans

NCLC and a coalition of consumer advocacy organizations submitted extensive comments to the Consumer Financial Protection Bureau (CFPB) providing input on how to save Americans billions in junk fees across a wide range of consumer financial products and services. Troublesome junk fees plague bank accounts, credit cards, prepaid cards, banking apps, personal loans, insurance, mortgages, car sales and leases, remittances, debt collection, and newer financial products, such as buy now pay later (BNPL) credit and fintech payday loans.

NCLC along with other consumer groups urged the CFPB to reduce credit card late fees, and the CFPB is now proposing to reduce the standard late fee from as high as $41 to $8.

Among the most pernicious fees on struggling families are overdraft fees, which banks manipulate people into incurring. NCLC provided testimony to the Senate Committee on Banking, Housing and Urban Affairs that it is long past time to end overdraft fees as a deceptive and abusive form of high-cost credit. The testimony also urged the CFPB and bank regulators to stop new forms of overdraft and overdraft avoidance fees, such as "tips" and inflated expedite charges on nonbank banking apps. The CFPB is exploring new rules for overdraft and nonsufficient funds (NSF) fees.

NCLC has submitted comments and has testified on point-of-sale buy now pay later (BNPL) credit, urging that BNPL is a form of credit card with the same protections, including clear fee disclosures and a requirement that any penalty fees be reasonable.

NCLC put out an issue brief on earned wage advances and other fintech payday loans that can include "tips" and "expedite fees," leading workers into paying to be paid and avoiding interest rate limits. We have urged the CFPB and states such as Arizona, California and New Jersey to treat these advances like the loans they are so they cannot evade fee limits and consumer protection laws.

Criminal Justice Fees: Fees for Phone Calls, Money Transfers, and Other Essential Services

NCLC and 28 other organizations urged the Biden administration and the FTC to include justice-involved people in a broader effort to crack down on junk fees. The inclusion of incarcerated people and their families in relief from junk fees is particularly important due to their extremely low incomes and the unique constraints of their position as consumers without options.

Auto Add-Ons Add Up: How Dealer Discretion Drives Excessive, Arbitrary, and Discriminatory Pricing

Add-on products sold by car dealers, such as service contracts, Guaranteed Asset Protection (GAP) insurance, and window etching, make up a large share of dealers' profits. They also significantly increase car buyers' costs. While many have questioned the value of these products for consumers, the pricing of these products has received less attention, largely because pricing is not transparent. Dealers decide what to charge each consumer and generally only the dealer, the finance company, and the third party provider of the add-on ever know what other consumers are paying.

NCLC conducted analysis of a large national data set for a revealing first look at what dealers pay for auto add-on products and what they charge consumers.

Junk Fees in the News

NPR: Shocked by those extra monthly apartment fees? 3 big rental sites plan to reveal them

*NCLC senior attorney **April Kuehnhoff** said the group's survey found "excessive and sometimes illegal late fees, as well as convenience fees, roommate fees and even a fee just because it's January!" Two renter advocates surveyed in Minnesota reported seeing fees in January for seemingly no reason.*

Forbes: Will Your New Landlord Charge A 'January Fee'? Zillow, Other Rental Sites Promise To Let You Know Up Front

*Earlier this year a **report by the National Consumer Law Center (NCLC)** found renters face "a dizzying array of unavoidable fees" that jack up the cost of housing. The fees can result in rental debt that can ding tenants' credit reports and jeopardize their access to housing in the future. In some cases, the report said, those fees are a way for landlords to get around legal limits on rent increases.*

States Newsroom: Advocacy groups ask FTC to expand Biden administration efforts to rein in junk fees

"*These excessive fees bear all of the hallmarks of an unfair act or practice under the Commission's enforcement authority," **the organizations wrote.** "They cause substantial harm because they constitute high sums for people least able to afford them. They cannot reasonably be avoided because consumers are captive to private companies awarded exclusive contracts."*

The Wall Street Journal: What Biden's Crackdown on 'Junk Fees' Could Mean for Travelers, Concertgoers and Credit Cards

*Many Americans resign themselves to paying the fees that show up at the end of a buying process. "You click through a lot of screens and when you get to the end, you have invested so much and say, 'I will just go ahead,'" said **Lauren Saunders**, the associate director of the National Consumer Law Center, an advocacy group*

American Banker: Could credit card late fees drop to $10?

*"The late fees imposed by card issuers exceed the amounts they incur in costs, especially for accounts with smaller balances and for delinquencies of short periods of time," said **Chi Chi Wu**, a staff attorney at the National Consumer Law Center.*

Bankrate: Will your credit card late fees go down despite inflation?

Various consumer advocacy groups are protesting the level of late fees today. In joint comments, the National Consumer Law Center, the Consumer Federation of America and Americans for Financial Reform Education Fund states that the late fees charged by card issuers are not proportionate to their costs and outlines necessary changes.

American Banker: Protect everyone from abusive overdraft fees

*In a letter to the editor, **Carla Sanchez-Adams** says consumers are harmed by the many institutions that continue to maintain expensive and excessive overdraft programs that can lead to account closures.*

Consumer Affairs: Consumer groups urge feds to crack down on 'junk fees'

***Lauren Saunders**, associate director at the National Consumer Law Center, says junk fees can be as harmful as overdraft fees and push consumers into becoming unbanked and losing access to mainstream financial products.*

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