



The Daily Dish

Junk Fee Follies

DOUGLAS HOLTZ-EAKIN | OCTOBER 27, 2022

OK fans, get a little extra coffee. It won't be enough, but it's the best prophylactic against the daily madness. Be warned that the source of the material is [whitehouse.gov](https://www.whitehouse.gov), so while there will not be a laugh track, there will be many moments when you hope it is a joke. And, check the calendar. Yes, it is the end of October in a midterm election year, so you may suspect that politics is afoot.

But no, it isn't politics! Yesterday the president was joined on the White House lawn by Rohit Chopra (director of the Consumer Financial Protection Bureau) for a deep policy analysis of the practice of banks charging "junk fees." The financial markets team is evidently shocked, shocked to find out that banks (and other businesses) charge fees to cover the cost of services they provide and that "free checking" isn't really free and has to be paid for somehow. Yesterday was evidently that teachable moment.

I'm glad that the administration has so successfully dealt with all the big policy problems that the president can focus on [\\$15.5 billion](#) in fees (in 2019; the policy team is evidently much too busy to get up-to-date data), a whopping 0.089 percent of total household spending. (Aside: They might want to circle back to that inflation thing, which raises the cost of that same household spending by \$1.4 trillion year. People might notice *that*, too.)

Unfortunately, the focus slipped a little off policy, beginning with the label "junk fees" that ignores the fact that the banks' own regulators have signed off on this revenue source. And the real focus was the flashy announcement of new CFPB [guidance](#) on two [existing](#) categories of fees. The ratio of hype to substance is enormous. (For sports fans, it's easy to put this in perspective. Just rewatch this [legendary moment](#) and replace "practice" with "guidance" and "game" with "rulemaking." It will all fall into place.)

The one additional piece of "policy" was that in a related "compliance bulletin" the CFPB noted that fees charged to a depositor of a bounced check are "likely unfair." If you want

imprecise, choose to use “likely” or “unfair.” If you want politics, put them back to back.

It would be nice to laugh this off as another desperate White House we-really-did-something-for-you moment. It was. But it is not okay for the White House to use independent agencies for political purposes and it is not okay for the heads of independent agencies to participate in political activities. And it comes with a cost: diminished efficiency in the execution of financial regulation. As financial services firms attempt to comply with existing law and rulemaking, they should not have to protect themselves from the possibility that their efforts will be demagogued at a political tent festival for future guidance.