



## NEW CALIFORNIA LAW PROHIBITS CERTAIN NSF FEES

California recently enacted a new law that would prohibit certain banks and credit unions from charging a consumer a nonsufficient funds fee when the consumer's attempt to initiate a transaction is declined instantaneously or near instantaneously due to nonsufficient funds. The law provides that a bank or credit union subject to the examination authority of the Commissioner of Financial Protection and Innovation shall not charge a consumer a nonsufficient funds fee, as defined in Section 521, when the consumer's attempt to initiate a transaction is declined instantaneously or near instantaneously by the bank or credit union due to nonsufficient funds. Under Section 521, "nonsufficient funds fees" means fees resulting from the initiation of a transaction that exceeds the customer's account balance if the customer's bank or credit union declines to make the payment.

NSF fees have received increased scrutiny from regulators and the FDIC and OCC have each issued supervisory guidance on compliance risks associated with NSF fees. As a result many banks have eliminated or reduced the frequency of imposing NSF fees.

The new California law will take effect January 25, 2025.

Please contact us with questions regarding the California NSF fee prohibition or other fee restrictions.

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