



TRILLIUM ON THE GROUND:

KeyCorp making moves to consider low- and middle-income customer needs with a racial justice lens



In the Fall of 2020, following a Bankrate¹ survey which found that Blacks and Hispanics reported facing higher monthly fees, including overdraft fees, than white customers typically do, Trillium filed a shareholder proposal asking KeyCorp to look at its overdraft program with a racial justice lens. Trillium decided to get involved after discovering that in 2019, KeyBank collected over \$148 million in overdraft and insufficient funds fees – representing over 7% of its non-interest income and 44% of its service charge income – and we could see the potential for some disproportionate impacts on communities of color.

Overdrafts have been an area of concern for Trillium for a number of years. According to 2018 and 2020 Center for Responsible

Lending² reports, account holders incurring large numbers of overdraft fees are more often low-income, single, non-white, and renters; customers often pay more in overdraft fees than the overage amount; and many consumers who opted into fee-based overdraft coverage for debit card transactions after the 2010 change to the Federal Reserve's Regulation E did so as a result of aggressive or deceptive marketing.

In addition, the Consumer Financial Protection Bureau (CFPB) found the majority of customers that frequently overdraft are more financially vulnerable than those who are not.

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¹ <https://www.cbsnews.com/news/minorities-report-paying-higher-banking-fees-than-white-people-bankrate-survey-says/>

² <https://www.responsiblelending.org/research-publication/unfair-market-state-high-cost-overdraft-practices-2017> and <https://www.responsiblelending.org/research-publication/banks-must-stop-gouging-consumers-during-covid-19-crisis>

Pew research has also shown approximately 70% of heavy over drafters earn less than \$50,000/year.³

All of this contributes to why U.S. Senator Cory Booker has introduced the Stop Overdraft Profiteering Act, which would prohibit banks from imposing overdraft fees on debit card or ATM transactions altogether. But while a policy solution such as this would address the issue, until such solutions are in place, we believe it is necessary to engage companies one-on-one in order to drive change.

And in the wake of the racial justice reckoning that began in the summer of 2020, there has been increasing attention paid to the ways in which systemic racism exists in many institutions, including banks, and their impacts on society.

Turning back to KeyCorp, it was clear that the company had racial justice programs in place for years and had recently enhanced them. However, there was no evidence that KeyCorp, or any bank that we are aware of, was looking at this very specific question around overdraft policies and racial impact. This struck us as both a gap and an opportunity for social impact.

Through the end of 2020 and the beginning of 2021, our shareholder proposal led to a series of dialogues with the company where we were able to exchange views and information – generating greater understanding and knowledge

on both our parts. The discussions were ultimately productive as we believe we were able to catalyze some new thinking at the company which resulted in KeyCorp agreeing to do the following:

- Engage the Financial Health Network (FHN) as a consultant to deliver a set of recommendations focused on strengthening KeyCorp's product offerings to address low- and middle-income customers' financial health needs, utilizing FHN's prior research and work on financial health equity;
- Include in this product gap assessment an evaluation of the racial equity impact of overdraft policies/practices;
- Hold progress update calls with Trillium; and
- Disclose on its Corporate Responsibility webpage the partnership with FHN and, after conclusion of the engagement, enhancements made as a result of the FHN engagement.

We are very pleased that the company will be reviewing its overdraft program with a racial justice lens and are excited that they will also do an in-depth review of impacts on low- and middle-income customers. Of course, implementation will be critical, and we look forward to ongoing engagement with the company as they make decisions about how to apply the lessons of the review.

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³<https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2016/04/heavy-overdrafters>

