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Big Banks Bigger Fees

A National Survey of Bank Fees and Fee Disclosure Policies

U.S. PIRG
Education Fund

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Written by Edmund Mierzwinski, Federal Consumer Program Director with the U.S. PIRG Education Fund, and the staff and students of the state and student PIRGs.

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I. Executive Summary

Since Congress largely deregulated consumer deposit (checking and savings) accounts beginning in the early 1980s, the PIRGs have tracked bank deposit account fee changes and documented the banks' long-term strategy to raise fees, invent new fees and make it harder to avoid fees.[1]

Over the last six months, PIRG staff conducted inquiries at 392 bank and credit union branches in 21 states and reviewed bank fees online in 12 others. This report, "Big Banks, Bigger Fees: A National Survey of Bank Fees and Fee Disclosure Policies," examines the following questions:

- How easy is it for consumers to shop around? Are banks complying with the Truth In Savings Act, which requires disclosure of a schedule of account fees to prospective customers?
- Can consumers still find free or low-cost checking accounts or has free checking ended?
- What can the new Consumer Financial Protection Bureau (CFPB) do to help improve transparency in the financial marketplace, an important goal as consumers seek to make ends meet in response to the lingering recession?

Findings:

1) Fewer than half (38%) of branches complied easily with the simple researcher request for fee schedules required by the Truth In Savings Act; only after two or more requests did a total of 55% percent of branches provide fee schedules as requested and as required by the Truth In Savings Act. In a finding virtually identical to recent U.S. Government Accountability Office (GAO) results, nearly one-quarter (23%) of branches surveyed refused to comply at all. Others provided often weighty piles of useless other brochures.

2) Despite the difficulty in obtaining full fee information, we found that free checking was available at half the branches visited (50%) and that an additional 29% offered free checking with direct deposit. The free accounts are widely available at small and regional banks and credit unions, a finding that has also been obtained by others.[2] While some big banks have raised fees and restricted or eliminated free checking, some still provide it, especially with a regular direct deposit.

Recommendations:

For Regulators (A more detailed list occurs later in the report)**:**
The new Consumer Financial Protection Bureau has an important opportunity to make markets work better for consumers and good actors in the marketplace; it should make bank account fee disclosures more transparent by enforcing the current law and improving the law's disclosure requirements.

- The CFPB should extend the requirements of the Truth In Savings Act to the Internet. It should require that banks post fees in a searchable web format (e.g., xml or similar), to encourage the establishment of local online shopping guides by community groups.
- The CFPB should require that the most important savings and checking disclosures required by the Act be provided prominently in a tabular format, such as the "Schumer Box" required for credit card disclosures.

For Consumers (A more detailed list occurs later in the report**):**

- Review your bank statements and count your fees. In addition to ATM surcharges, you are likely paying your own bank an "off-us" ATM fee that only appears on your statement, whenever you use another owner's ATM.
- Examine how many fees you pay. Shop around. Look for better accounts. Bank at a credit union, not at a bank. Credit unions are member-owned, lower-cost alternatives to banks and often offer the same variety of services. It is easier to qualify for membership than most consumers think.

II. Introduction

Over the last ten years or more, bank efforts to raise fee income have been bolstered by pliant regulators, who looked the other way while banks piled new fees onto deposit accounts and engaged in deceptive practices to earn more in fees. Regulators, encouraged tens of billions of dollars in overdraft fee income by classifying "overdraft protection" products as "account features," not loans.

Avoiding higher bank fees by shopping for a bank account is not easy. The lack of enforcement has even extended to the laws requiring simple disclosures, so consumers cannot shop around. This is not a new problem. In response to growing complaints about deceptive advertising following the 1980s deregulation, Congress had enacted the 1991 Truth in Savings Act.[3] That law was intended to make it easier to shop around; by requiring banks to publish all deposit account-related fees in a schedule and making that schedule available to prospective customers.

Yet, in 2008, the U.S. Government Accountability Office (GAO) used methodology developed in a 2001 PIRG report to do its own secret shopper survey. GAO found that 22% of bank branches visited failed to give prospective customers access to detailed bank fee disclosures on request, in violation of the Truth in Savings Act.[4]

More recently, policymakers have issued strong responses to growing public anger about financial practices, such as those that resulted in a nationwide economic collapse, by enacting a series of reforms. In addition to major reforms intended to make the financial system safer following that 2008 financial collapse brought on by risky Wall Street actions and fueled by predatory mortgage lending, policymakers have taken three direct steps in response to unfair consumer fee practices.

- In 2009, Congress enacted long-sought credit card reforms, the Credit CARD Act, in response to growing complaints about "gotcha" fee practices on credit cards.
- Also in 2009, the Federal Reserve Board finally issued rules limiting overdraft protection products.
- In 2010, Congress enacted comprehensive Wall Street reform legislation. A centerpiece of the Wall Street Reform and Consumer Protection Act was the establishment of the landmark Consumer Financial Protection Bureau (CFPB), which is the first federal financial agency with only one job, protecting consumers.

The banks vehemently opposed all these reforms[5]. For years, the bankers have predicted that if Congress or regulators added consumer protections, that fees would skyrocket and free checking accounts would end.[6]

III. Why Consumers Need Better Tools To Shop Around For Bank Accounts

Banks count on the lack of easy-to-find fee information and the difficulty of shopping around as a way to keep fees high. In addition, the lack of regulatory enforcement of the disclosure laws is exacerbated by the high "switching costs" involved in getting a new bank account (information-gathering time, submitting to credit checks, changing account numbers on automated transactions, etc.), allows them to raise fees and helps them hold on to a captive customer base.

Improving fee disclosures will lower those "switching costs." Until then, for many consumers, the lack of information makes it easier to stick with their old bank.

Twenty years ago, in 1991, the PIRG-backed Truth In Savings Act supposedly made it easier to shop around. The law attempted to accomplish four main goals:

1. The law requires banks to pay interest on all the money in a consumer's account, and calculate and disclose it accurately as an Annual Percentage Yield (APY). Banks may require a minimum balance to earn interest or avoid fees, but interest must be paid on all the money in a consumer's account, not reduced either by not paying interest on reserves held by regulators or not paying interest on the amount below any minimum.
2. The law prohibits misleading us of the term "free." Banks cannot use "free-asterisk" gimmicks – a free account can have no monthly maintenance fees. An account that allows fees to be avoided by meeting a balance requirement cannot be advertised as free (with an asterisk pointing to the fee if the balance is not met). **The law does not restrict other fees imposed on so-called "free" accounts, such as fees for overdrafts, ATM or debit card usage or return of checks or check images.**
3. The law requires that all account-related fees be compiled in a fee schedule.
4. The law requires that schedule to be made available to prospective customers on request.

Banks' insufficient responses on Fee Schedules

Maine: "The rules have changed so they [the bank] are still learning the new rules and are waiting to get updated materials. They told me to go online and call the phone service, because they aren't sure what's been updated. Some information I got over the phone didn't match what was online or in the brochures." **Maine** (different bank): "they said "they are a dialogue bank and don't have brochures on that information."

We did not examine compliance with item (1). We found that nearly all banks are in compliance with item (2). We found widespread violations of items (3) and (4).

In 2001, a previous PIRG Big Banks, Bigger Fees report showed that banks were not complying with these disclosure requirements. At that time, PIRG sent a letter requesting enforcement action to Chairman Alan Greenspan of the Federal Reserve Board.[7] It was ignored. Here is an excerpt:

> *We have experimented with numerous methods of data collection over the years to obtain the broadest coverage of banks in our surveys. We originally conducted telephone surveys, but found two problems with that approach. First, each year, banks became more and more reticent to answer so many questions and second, many banks were wary that we were actually competitors conducting market research. So, we began sending volunteers to bank branches seeking copies of checking account brochures and Truth In Savings fee schedules. Each year, we find more banks refuse to provide detailed fee schedules to a consumer who specifically asks for one. Virtually no banks place Truth In Savings fee brochures on their brochure racks[…] At most branches, shoppers are forced to wait in line to speak not with a teller but an official behind the desk if they seek detailed fee information.*

Although Chairman Greenspan never replied to our letter, in 2008, Congressional auditors at the non-partisan U.S. Government Accountability Office (GAO) confirmed our results by doing their own "Secret Shopper" study, referencing our previous report and methodology. In response, the bank regulators issued guidance inferring enforcement of the law, although the findings of this report are similar to those of GAO and show that the enforcement by current regulators is still not working.

In addition, that paper-based law has been out-paced by the potential of the Internet. You can search on the web for information about PAC donations, or the price of televisions or movie rankings, but there are few aggregator sites where bank fees can be compared. Nor do most banks provide decent explanations of their fees on their own sites. Most prominently they compare only a few basic features of the accounts. While fee schedules are sometimes available, they are often buried in links at the bottom of long pages, then downloadable only as ponderous multi-megabyte pdf files.

Banks' insufficient responses on Fee Schedules

Massachusetts: "They said they didn't have any pamphlets on fees, that there were no overdraft fees because you can't overdraft with them, and when I asked for a pamphlet on fees they said the only option was to sit down and discuss my "personal situation"
Florida: "They didn't give me the info until I listened to their whole spiel about different accounts."
New York: "We don't USUALLY give these out."

What the GAO found in 2008.

> **Excerpt from its report[8]:** *Our visits to 185 branches of depository institutions nationwide suggest that consumers shopping for accounts may find it difficult to obtain account terms and conditions and disclosures of fees upon request prior to opening an account. Similarly, our review of the Web sites of the banks, thrifts, and credit unions we visited suggests that this information may also not be readily available on the Internet. We were unable to obtain, upon request, a comprehensive list of all checking and savings account fees at 40 of the branches (22 percent) that we visited. Similarly, we were unable to obtain the account terms and conditions, including information on when deposited funds became available and how overdrafts were handled, for checking and savings accounts at 61 of the branches (33 percent).* ***The results are consistent with those reported by a consumer group [U.S. PIRG] that conducted a similar exercise in 2001.***

Regulator Response

In response, here is what the chief national bank regulator, known as the Office of the Comptroller of the Currency (OCC), issued as an examination guideline to its enforcement staff (examiners) in 2010:

> **OCC Guidelines:** ***Disclosures upon request (section 230.4(a)(2))***
> *A depository institution must provide full account disclosures, including complete fee schedules, to a consumer upon request. Institutions must comply with all requests for this information, whether or not the requestor is an existing customer or a prospective customer.*
> *Page 90, Comptroller's Handbook*[9]

IV. Results of the PIRG Survey: Compliance with Truth In Savings Fee Disclosures

PIRG staff visited 392 bank branches in 21 states to determine compliance with the Truth In Savings Act requirement that "prospective customers" have the right to "complete" fee schedules.

Fewer than half (38%) of branches complied easily with this legal request; nearly one-quarter (23%) refused to comply at all. A total of only 55% provided correct information eventually, only after repeated requests for information.

Results of PIRG In-Person Survey of 392 Bank Branches for Truth In Savings Compliance		
Bank branches providing complete fee schedules on first request	38%	
Bank branches providing information after two or more requests	17%	
Total bank branches providing Truth In Savings Schedules as required by law (some after multiple requests)		55%
Total bank branches providing no information		23%
Total bank branches providing wrong or incomplete information		22%
		100%

Researchers were persistent and reviewed the materials while standing there, and made second and third asks when fee schedules were obviously missing from materials received (researchers were routinely handed large packets, containing several irrelevant brochures and booklets, and told to go).

Back at the office, we then reviewed in detail the material from each bank to determine whether it was complete. Even though surveyors were persistent, after detailed examination, more than 1 in 5 banks (22%) that told surveyors they were providing the fee schedule either only provided general checking brochures containing no or limited information, or provided other information we hadn't asked for, such as sales pitches for overdraft protection, mortgage or credit card brochures, privacy policies, and long, small-print deposit account contracts (legal terms, but no fee schedules).

The Truth in Savings Act requires disclosure of fees such as overdraft fees, and account-closing fees.

> *1. Covered fees. The following are types of fees that must be disclosed:*
> *i. Maintenance fees, such as monthly service fees*
> *ii. Fees to open or to close an account*
> *iii. Fees related to deposits or withdrawals, such as fees for use of the institution's ATMs*
> *iv. Fees for special services, such as stop-payment fees, fees for balance inquiries or verification of deposits, fees associated with checks returned unpaid, and fees for regularly sending to consumers checks that otherwise would be held by the institution*
> Official Staff Commentary[10]

The act requires that these fees be provided in a fee schedule. It was clear from the comments noted by researchers that some bank personnel were not well-trained in what exactly a fee schedule is: many could not find them; or were "differently trained" to respond to such questions by making a hard-sell for a new account. Often, the practice seemed to be that a consumer who asked had to sit down with a more senior "closer," to use car sales vernacular. In addition to a variety of versions of "No," such as "look online" or "you need to open an account" and other outright refusals, the sidebar boxes include some of the other responses from researchers.

Banks' insufficient responses on Fee Schedules

Massachusetts: "Fees are "listed on the wall."
California: "This bank had the fees in a binder in the back and taped up in each teller stand, they had to take them out of the binder/off wall to copy to give to me."
Georgia: This bank didn't have one, the bank staff said, "I don't even have a list. Let me see if I can think of some for you off my head....""
New York: "No copies, come back tomorrow."

Banks Told Us: "Look Online," And We Tried

To test the hypothesis that many branch staff extolled, "look online for what you want," we did[11]. This month, when we looked online to verify the fee data obtained in-person for the report, we found inadequate disclosures online. First, we found that many sites had no detailed online fee schedules. Some banks didn't even list basic fees for accounts. Note that the Truth In Savings Act does not require online disclosures.

Further, many banks that did disclose fees listed some fees on one html page and others on multiple pop-ups or pdf pages. Some detailed fee brochures were not always up-to-date; researchers were also required to search for and download "addendums" and "updates."

Worse, we found very few bank websites that did post fee schedules made it obvious to a consumer where these fee schedules were—often, a link to the fee schedule (under a variety of names) was buried at the bottom of the third or fourth or even-fifth drill-down link a consumer clicked. Here is a composite example.

1) What is your zip code? (CLICK)
2) What kind of account do you want (simple, free, with interest)? (CLICK)
3) Which account do you want to look at now (e.g., basic checking)? (CLICK)
4) Compare all fees for all accounts/Learn more? (CLICK)
5) Often at the bottom, see obscure reference to full fee schedule or bullet that says “more” or “fees.” (CLICK)
6) At this point, additional actions may be required to print or download, often from a popup screen (these are often more difficult to navigate, save or print than basic web pages are).

Some websites, especially those of larger banks, generated massive state-specific documents similar to their ponderous printed account brochures. These documents contained a few pages of account fees, but also additional account contractual information.

These documents ranged as large as 1mB or more (in the case of Wells Fargo, the 86 page/1 mB pdf files that were generated did not identify states and were “secured” so the pdfs could not be easily labeled by the user).

To review these and similar web materials that are generated on the fly, consumers also need to be careful that they have entered the correct zip code “cookie” or returned to a state-selector page to generate the correct pages to show fees for their region. For some banks, such as Umpqua Bank, detailed information only appeared in non-printable pop-up pages.

Many banks had no information. Some banks had incomplete information. Wells Fargo had detailed fee schedules, but its affiliated bank, Wachovia, instead merely included suggestions to consumers to “call this number for detailed fees.” Other banks said, “see fee schedule,” but had no links to one. Other web pages urged consumers to “visit a branch” for details.

Banks’ insufficient responses on Fee Schedules

Florida: “Despite asking repeatedly for general and specific info the bank never gave me what I asked for. The M.O. seems to be - they give you minimal info and tell you that anything else you could want is on the web. Seems true with this bank. But still they should just hand you the info when you ask for it.”

New York: “They made me sit down with an accounts person who asked me lots of questions and told me all sorts of information about how to choose a bank and why they were a good choice, etc. He didn't have anything he could hand me with the fees. So, I had to wait for him to print it off. Apparently it takes him 1/2 hour to print off a document.

Some banks required consumers to take other complex steps before fee schedules even became available on the web. For example, one required the consumer to first read an electronic disclosure disclaimer agreement (Dime); one required a consumer to drill-down into the “open an account today” menu (First Niagara) before allowing the consumer to generate a fee schedule.

Conversely, a few banks doing business in several states, for example, U.S. Bank, SunTrust and Bank of the West, include simple easy-to-find online pages with lists of fee schedules for the states where they do business. Fee schedules for their entire “footprint” could be obtained easily.

V. Results of the PIRG Survey: Bank Fee Findings

Despite the difficulty in obtaining full fee schedules in person (as required by law) or on the Internet, we found that free checking remains widely available. While the biggest banks are raising fees, and eliminating free checking, most continue to offer free checking with direct deposit.

Free checking was available at fully half the bank branches visited (50%); an additional 29% offered free checking with a regular automated direct deposit. The free accounts are widely available at small and regional banks, and credit unions, a finding that has also been obtained by others, including one reporter who said recently "reports of the death of free checking have been greatly exaggerated."[12]

It has been widely reported that the biggest banks are raising their fees significantly and this was confirmed in our research.

Bank of America: The bank no longer offers any fully free checking classic option in the states of Arizona, Georgia and Massachusetts, under a so-called pilot program to test fee increases. In these states, classic checking now requires a $5,000 balance to avoid a $15/month fee. The bank is, however, offering free e-checking (no teller visits and no paper statements, else a $12 fee). In other states we surveyed, free checking with direct deposit is still available, although a qualifying minimum direct deposit of $250 is being implemented. Monthly fees when balances not met have been increased from $9 to $12. Bank of America has also discontinued lower cost student accounts for new customers.

Chase Bank: The bank has retained free checking with direct deposit, but has implemented a $500 minimum direct deposit requirement (specifying clearly that no combinations totaling to $500 allowed). According to press reports and consumer complaints to U.S. PIRG, Chase Bank is imposing non-customer ATM surcharges of $5 in Illinois and Texas. (We did not survey ATM surcharges. Surcharges are difficult to survey as they are only imposed on non-customers, only disclosed on ATM screens after a card has been inserted and are not included in account fee schedules.)

Citibank: Citibank's online fee schedules are generally dated October or November 2010. The bank still has a free account with direct deposit, and an $8 fee otherwise regardless of balance (although it also provides other methods of meeting the standard, such as making 5 qualifying transactions in or out of the account each month).

U.S. Bank: The bank, effective May 15, is eliminating free checking and substituting an account that allows free checking with a qualifying direct deposit of $500, or an average balance of $1500. Else, consumers pay $6.95 with e-statements; $8.95 with mailed statements. In a few states, some account names will also change. The bank, also, recently increased off-us ATM fees from $2 to $2.50.

Wells Fargo: Wells Fargo still offers free checking, but is now requiring direct deposit. It has raised the minimum to avoid fees to $1,500 but the monthly fee is only $5.

A few other relatively large banks have announced recent fee increases. For example, TD Bank had not imposed off-us ATM fees, but just began charging a $2 fee in March (see more about ATM off-us fees below). Similarly, although PNC Bank has begun imposing ATM fees for new customers and will add them later this summer on existing accounts, it has also made clear that it is retaining free checking accounts.

Other Significant Fees:

An ATM off-us fee is a fee your own bank charges you to use another owner's ATM. The fee only appears on your statements and is in addition to any surcharge that may be imposed by the ATM owner. A wide variety of banks continue to waive off-us ATM fees; even for free accounts. Some also reimburse surcharges imposed by other ATM owners. ATM fees listed in our charts apply only to the lowest cost accounts. Other accounts may waive fees.

As a result, of new overdraft lending rules and regulator guidance, banks are doing a better job of disclosing overdraft practices. The core of those rules is a requirement that overdraft protection fees cannot be imposed on debit card point-of-sale or ATM machine overdrafts unless a consumer first opts-in. Consumers should opt-out. Daily fees for alternative overdraft protection transfers start as low as $5.

Some banks are disclosing a lower overdraft fee for the first few overdrafts in a year. Those with a continuing overdraft charge for unpaid negative balances are disclosing them. Some banks are disclosing daily overdraft fee limits, although the limits are not necessarily sustainable. A few allow as much as $98-$175/day in overdraft fees per/day. Although we do not report this result, some banks are reporting that no overdrafts will be charged for *de minimis* overdrafts, such as $5 or less. This exception is one that is recommended in a November 2010 FDIC automated overdraft supervisory guidance. The FDIC also recommends that after 6 automated overdrafts in a year, banks contact the consumer by phone or in-person to discuss line of credit transfers or transfers from savings as better alternatives than automatic overdraft protection.[13] The FDIC has taken these actions not only to help consumers avoid a cycle of high-cost debt, but to compel regulated institutions to mitigate "reputational" and "safety and soundness and compliance risks, and avoid violations of related laws and regulations."

VI. Recommendations for Regulators

For the Consumer Financial Protection Bureau (consumerfinance.gov):

The new Consumer Financial Protection Bureau has an opportunity to make fees more transparent. It should enforce the existing law requiring bank branches to provide prospective customers detailed fee schedules on request, and it should improve the availability and readability of required disclosures.

The CFPB should extend the requirements of the Truth in Savings Act of 1991 (Regulation DD) to the Internet. The law requires only paper disclosures provided in-person or by mail.

a. The CFPB should require that banks post fees on the Internet in a searchable machine-readable semantic web format (e.g., xml, rdf or similar), which would encourage the establishment of local online bank shopping guides by community groups. We have aggregator sites that make online comparisons of everything from movie ratings and consumer electronic appliances to political campaign donations, why not online comparisons of bank fees? Greater transparency will stimulate greater competition and choice.

b. The CFPB should require that the most important savings and checking account disclosures required by the Truth In Savings Act be simplified and provided to consumers more prominently in a tabular format both on paper and on the Internet. The 1988 Fair Credit and Charge Card Disclosure Act, for example, requires key credit card terms to be posted in a tabular format in a so-called "Schumer box," named after the law's creator.

c. The CFPB should reinstate a former Federal Reserve annual report on bank fees. The report was originally required by the now-sunset requirement of Section 1002 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The Federal Reserve successfully lobbied to eliminate the report, which had required it to conduct an annual study of services and fees of depository institutions. An improved report should compare actual institutions (the Fed surveys were anonymous and aggregate), reviewed on a local basis, and made more generally available.

d. The CFPB should take advantage of web and social networking tools to provide consumers with additional information on bank and credit union comparison-shopping.

e. Some institutions (notably Key Bank among large banks) continue to put ATM "off-us" transactions and other access device (ATM card) usage fees in their long, narrative Electronic Fund Transfer Act (15 U.S.C. 1693 *et seq.*) Regulation E disclosures only. The CFPB should make explicit that all ATM/debit card fees, also **including non-customer ATM surcharges**, be included in the schedule accompanying Truth in Savings Act disclosures.

f. CFPB should investigate institutions that continue to say "No fee*" or "Totally Free Checking*" in prominent disclosures, only to include a footnote "if balance met" for actual fees. One bank, North Shore (WI) has a "Better-Than-Free" account, which is free with direct deposit, but otherwise requires a balance to avoid fees.[14]

g. The CFPB should expand on and extend FDIC best practice guidelines on overdraft fees across all banks when it gains its full authority to issue rules on July 21. The FDIC, which only supervises some state banks, has issued guidance making it clear that reliance on overdraft fee income is improper. At least two big national banks (Chase and Wells Fargo) continue to engage in practices many others have stopped. The FDIC limits the practice of high-to-low check re-ordering, which is intended to make more debits "bounce" and increase fee income.[15] The FDIC puts pressure on banks to limit the number of allowable overdrafts in a year (some banks we surveyed allow 7 or more in one day, for total daily fees of $210 or more). The FDIC also enforces its rules against deceptive marketing of opt-in overdraft protection schemes. In September comments[16] to the FDIC by the Center for Responsive Lending, U.S. PIRG and other leading groups, made the following points:

> *We enthusiastically support several aspects of the FDIC's proposed guidance, most notably 1) the agency's recognition that more than six overdraft fees within a 12-month period constitutes excessive or chronic use; 2) its instruction that banks stop manipulating the order in which they post transactions to maximize fees; and 3) its instruction that banks not steer frequent overdrafters into high-cost programs while "obscuring" lower-cost alternatives. We also strongly support the FDIC's caution that such steering raises fair lending concerns and will be "closely scrutinized."*

For the National Credit Union Administration (ncua.gov)

Credit unions generally have fewer and lower fees than banks, but their account disclosures are even murkier than most bank disclosures. The NCUA should, with advice from the CFPB, issue model guidelines on fee disclosures and require credit unions to explain the basic terms of their accounts in a better way.

VII. Tips For Consumers (also available as a downloadable brochure)

Here are some detailed tips on how to reduce the amount of fees you pay your bank.

1. Choose to bank at a credit union, instead of a bank. A credit union looks, smells and feels like a bank, and does most of what a bank does. It is different from a bank in that it is a not-for-profit organization, and it is owned by the member-depositors. Credit unions provide checking and savings accounts, credit cards, loans & mortgages, money market accounts, and certificates of deposit (CD's). Average interest rates for loans are lower at credit unions than banks, and average rates for deposits are higher. That is a better deal both ways. Most offer free checking with no minimum balance. Credit union deposits are insured just like banks'.

The biggest disadvantage of credit unions is that they don't have many branches, and rarely operate in more than one state. Many credit unions absorb the consumer's cost of using out-of-network ATMs, (and if not, at least at other credit union ATMs), so you won't pay more to access an ATM out of your area. If you need to transfer money to accounts in other states (like if you have kids in college), a large bank might be better. Also, credit unions are less likely to have the latest in banking technology-- iPhone check depositing, telephonic alerts—although they are catching up rapidly.

Check with the National Credit Union Association (http://www.ncua.gov/) to find out how to join a credit union in your area or go to findacreditunion.com.

2. Choose a local or regional bank. Smaller banks tend to be more consumer-oriented and many have better rates than the mega-banks. They don't have ATMs all over the world, but if you spend most of your time within a hundred miles of home, you don't need the extensive branch network of a big bank.

3. Look for "free checking" options. Totally free checking used to be easy to find anywhere, and while it's not going away it's not ubiquitous, either. You may be able to get free checking if you have your paycheck direct deposited into your account, and you can certainly get it if you keep a minimum balance. Look for checking accounts with a low minimum balance requirement. If you are keeping your savings in a regular savings account, consider using that balance to meet the minimum balance requirement for a free checking account. Savings account balances are pitifully low, so you're hardly losing by putting the money in a no-interest checking account, and you'll save on the monthly fees. Some banks/credit unions offer free checking for seniors or students.

4. Pay attention to ATM and debit fees. As long as you use your bank's/credit union's ATM terminals it won't cost you anything, but if you use another bank's or other owner's ATMs you may have to pay two fees: an "off-us" fee to your bank and a surcharge to the other owner. Some banks and credit unions may waive all or part of these fees, but often only on premium accounts. Watch out for annual fees on ATM cards.

5. What about bounced check/debit overdraft protection? Banks made a lot of money on debit card overdrafts. Now they have to ask you if you want "overdraft protection," which means you'll pay $25 or more if you use your debit card for more than is in your account. Many banks and credit unions have a much cheaper overdraft protection system. Either you can have a savings account where any overdrafts are automatically transferred (watch for fees on transfers) or you can get an automatic loan at moderate interest rates, and pay it back within a few weeks. A loan of $50 for five weeks at 10% interest is only fifty cents!

6. Bank electronically. Some banks charge less if you have your statements "sent" to you electronically, or if you don't have your checks returned to you. Some charge for seeing a real live teller. If you are comfortable banking online, you can save.

7. Check out Internet banks. There are banks that have no brick-and-mortar offices and advertise lower fees. Be sure to check these out if you are comfortable banking on the Internet and not ever dealing face-to-face with a person.

8. Choose the least expensive plans. Banks will typically have more than one type of checking account. The more expensive account will have more services (interest paid, more no-cost transactions), but require a higher minimum balance. If you only write a few checks per month, you won't save much if the check-processing or check-printing fees are low. See which account works best with your lifestyle.

9. Don't just choose the interest-bearing checking account. Interest rates are so low that it may not be worth getting interest at all. As an example (fees and rates may have changed): Bank of America's FirstChoice Gold™ with Tiered Interest Checking pays 0.08% if you keep a minimum balance of $10,000. That is only $8 per year! You could instead use $8500 of that $10,000 to buy a certificate of deposit (CD) from Discover Bank at 1.3% and have a minimum balance of $1500 with B of A's MyAccess Checking, no monthly service charge, and earn over $100/year in interest from the CD.

10. Direct deposit your paycheck. Most banks charge lower fees to depositors who have their paychecks deposited directly into the account. This costs nothing and will save you money.

11. Sign up for alerts. Some banks will send a text message to your phone or an email to tell you what your available balance is or when your balance drops below a limit you set. That way you can avoid bounced checks or debt card overdrafts. You can also set up alerts on your credit card to tell you when your payment is due or if you are close to your credit limit. Many banks/credit unions offer such alerts free of charge.

12. Combine bank accounts. If you have more than one type of bank account/product (checking, savings, CD, investment account), ask your banker if the amounts can be combined and counted toward your required minimum balance.

13. Read your mail. New regulations require banks to notify you of new fees. Banks will be trying all sorts of new ways to make money this year, including changing the terms of what you've already got. What might look like junk mail could be a notification.

14. Ask how to avoid fees. In this new banking environment, banks are introducing all sorts of programs to encourage people to bank with them. Ask about how you can lower your fees – online bill paying, direct deposit of paychecks, savings accounts, and using your debit card are just some of the possibilities.

15. Who's got your mortgage? You may get the best deal on account fees from the bank carrying your mortgage or your car loan. Ask your banker.

16. Watch for new debit card fees. Some banks will be charging monthly fees for debit cards, often waiving these fees if there is enough activity on the card. Check what the deal is with your bank.

17. Make noise. Sometimes you can get a better deal at a bank just by asking for it. The new rules are going to make banking more competitive, so banks will be willing to work harder to hang onto customers.

18. Comparison shop. There are several online sites where you can compare banks (bankrate.com, moneyrates.com, findabetterbank.com, bankfox.com, mybanktracker.com). Unfortunately, these often don't include credit unions. Use them as a start. Then, call around, or check the websites of your local banks and credit unions. You may be surprised to see the number of different rates, plans, and choices there are.

VIII. Conclusion

Over the last ten years, current bank regulators failed to protect the public from unsafe or unfair financial practices. These practices contributed to the magnitude of the economic collapse of 2008.

The establishment by Congress in 2010 of the Consumer Financial Protection Bureau (CFPB) offers consumers their best hope of improved transparency of bank fee information that will make it easier to shop around and get the best deals. That transparency will also encourage more banks to compete on the basis of price and product benefits.

According to the CFPB website, consumerfinance.gov:

> *The central mission of the Consumer Financial Protection Bureau (CFPB) is to make markets for consumer financial products and services work for Americans—whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products.*

In testimony this year, Professor Elizabeth Warren, the assistant to the President who heads the CFPB Implementation team, referred often to improved transparency as a primary goal for the bureau:

> *In June 2009, the House Financial Services Committee invited me to testify about the CFPB for the first time. My testimony described in great detail the advantages of bringing greater transparency and streamlined disclosure to the consumer financial markets. During the question-and-answer segment of the hearing, members of the committee – many of you here today, from both parties – praised transparency as a valuable goal and asked how a consumer bureau could focus on that objective. Today, we are pleased to report that we firmly believe in the importance of making prices clearer, making risks more obvious, and cutting back on the fine print and legalese that can make it impossible for families to compare a mortgage or credit card with two or three others. We are here to serve the American people by making sure the consumer financial markets work for them.*

A critical first step for the bureau to make those markets work will be to improve the transparency of deposit accounts so consumers can shop around.

APPENDIX (following Endnotes) Bank Fees By State

Endnotes

[1] See, for example, "Big Banks, Bigger Fees" (1999 and 2008), Double ATM Fees, Triple Trouble (2001), The Campus Credit Card Trap (1998 and 2008).

[2] A financial reporter had similar results recently. See Jonathan Epstein, "Check It Out," Buffalo News, March 14, 2011 story, available at http://www.buffalonews.com/business/moneysmart/article366488.ece Excerpt: "Major national and large regional banks like Bank of America Corp. and HSBC Bank USA are eliminating free checking accounts, spurred by the loss of significant fee income because of new laws and regulations. But such accounts are alive and well at community banks, credit unions, and even big banks like M&TBank Corp. and First Niagara Financial Group."

[3] The Truth in Savings Act (*Regulation DD* (12 CFR 230)) was incorporated into the Federal Deposit Insurance Corporation Improvement Act of 1991 (Public Law 102-242). FDICIA was the second of two major laws, the first was the Financial Institutions Reform, Recovery and Enforcement Act of 1991 (FIRREA, Public Law 101-73), responding to an earlier financial crisis brought on by the reckless savings and loan practices of the 1980s.

[4] "Bank Fees: Federal Banking Regulators Could Better Ensure That Consumers Have Required Disclosure Documents Prior to Opening Checking or Savings Accounts, " U.S. Government Accountability Office (GAO), January 2008, GAO-08-281, available at http://www.gao.gov/products/GAO-08-281

[5] For example, see *Rising Bank Fees are Setting Records,* USA Today (Oct. 27, 2008), available at http://www.usatoday.com/money/industries/banking/2008-10-26-atms-fees-checks-banks_N.htm.
"The high fees come at a time when banks are struggling to unload bad mortgage loans." Also see *Is Free Checking on its Way Out?* CNNMoney.com (July 2, 2009), available at http://moremoney.blogs.money.cnn.com/2009/07/02/is-free-checking-on-its-way-out/. Also see *Banks Boost Customer Fees to Record Highs,* Wall Street Journal (Nov. 12, 2008), available at http://online.wsj.com/article/SB122645109077719219.html:
"Banks are responding to the troubled economy by jacking up fees on their checking accounts to record amounts."

[6] The banks are now opposing a draft Federal Reserve rule implementing the Wall Street Reform and Consumer Protection Act's separate "Durbin amendment" provision limiting "interchange" fees that card networks charge merchants for accepting debit cards. The bulk of the fees, which average around 1.7% of debit transactions, are passed along to the consumer's bank. The banks claim that revenue from the fees offsets other checking costs and must be recovered. PIRG has long supported reform of the interchange markets, which are broken. Merchants cannot negotiate the fees; that means all retail customers pay more at the store and more at the pump, even if they pay cash.

[7] Letter from Edmund Mierzwinski, U.S. PIRG to Alan Greenspan, Chairman, Federal Reserve Board of 7 November 2001, available at http://www.stopatmfees.com/bigbanks2001/PDFs/greenspanltr.pdf

[8] "Bank Fees: Federal Banking Regulators Could Better Ensure That Consumers Have Required Disclosure Documents Prior to Opening Checking or Savings Accounts, " U.S. Government Accountability Office (GAO), January 2008, GAO-08-281, available at http://www.gao.gov/products/GAO-08-281

[9] Depository Services, Comptroller's Handbook, August 2010, OCC, available at http://www.occ.gov/static/publications/handbook/depserv.pdf

[10] Supplement I to Part 230—Official Staff Interpretations, Regulation DD, Truth In Savings Act, available at http://bit.ly/gx7B8t

[11] We also looked online at banks in a dozen additional states, including states we did not survey in person, to see if our results were anomalies. They were not. We found only 14% of 180 online bank websites from banks in the additional 12 states disclosed full Truth In Savings Act fee schedules.

[12] A financial reporter had similar results recently. See Jonathan Epstein, "Check It Out," Buffalo News, March 14, 2011 story, available at http://www.buffalonews.com/business/moneysmart/article366488.ece Excerpt: "Major national and large regional banks like Bank of America Corp. and HSBC Bank USA are eliminating free checking accounts, spurred by the loss of significant fee income because of new laws and regulations. But such accounts are alive and well at community banks, credit unions, and even big banks like M&TBank Corp. and First Niagara Financial Group." We note also that many banks now offer better free checking options than the terms of accounts required by law (New Jersey Checking Account) or regulation (New York) that were passed in the early 1990s when free checking was not as available.

[13] The FDIC Overdraft Program Supervisory Guidance of 24 November 2010 is available at http://www.fdic.gov/news/news/press/2010/pr10257.html

[14] A consumer needs to look at three separate pages to get most of the information about this account, but even then does not receive all the Truth In Savings disclosures. From the main Better-Than-Free account page that contains minimal information (http://northshorebank.com/Personal/Checking/BetterThanFreeChecking.asp) one small link on the right goes to the Fees page (http://www.northshorebank.com/Fees/PersonalCheckingFees.asp) and another small link (http://www.northshorebank.com/Personal/Checking/CheckingComparison.asp) goes to a checking account comparison page where balances to avoid fees are described

[15] However, we found at least one FDIC-supervised state bank, Umpqua Bank (Oregon), which discloses online that it allows up to $175/day in overdraft charges and reserves the right to "select" check clearing order.

[16] U.S. PIRG joined the Center for Responsible Lending and several other leading consumer groups in detailed comments to the FDIC in September 2010. Available at http://www.responsiblelending.org/overdraft-loans/policy-legislation/regulators/comment-to-fdic-on-overdraft_20100927.html

Appendix: KEY TO STATE DATA CHART THAT FOLLOWS

Big Banks, Bigger Fees 2011:

A National Survey of Bank Fees and Fee Disclosure Policies

A PIRG Report

Methodology: Over the last fall and winter PIRG staff and students survived 392 branches of a total of 163 different banks and credit unions in 21 states. Large banks operating in more than one market or more than one state were surveyed at more than one location. Researchers posing as prospective customers requested account information, specifically including full account fee schedules. The Truth In Savings Act requires that these detailed schedules be made available to prospective customers. The purpose of this report was to determine compliance with this fee disclosure requirement and offer consumers a comparative chart of bank fees.

The chart following this appendix lists the results by state.

About the fee disclosures: The fee disclosures we report in this appendix are for informational purposes and subject to change. Since not every bank provided full fee schedules, we attempted to update missing data on the Internet. But not every bank discloses full information on the web (the Truth In Savings Act does not specifically require web disclosure.) The absence of a fee does not necessarily mean it is not charged. The listing of a fee does not mean it is charged to every account, only to the accounts we list. We attempted to list the lowest cost full service checking accounts where a consumer could avoid all maintenance fees, either because the account was listed as free, or fees could be avoided through the use of direct deposit or a reasonable balance requirement. Other accounts may fit your circumstances better.

Seniors/Students: Many banks provide you with better deals (in a few states by law), but the variety of accounts makes it difficult to summarize. Ask.

Shop Around: Check the bank's web site. Check other websites that track locak bank fees, such as mybanktracker.com, findabetterbank.com and bankrate.com/funnel/checking-account.

KEY TO THE BANK AND CREDIT UNION FEE DATA IN THE FOLLOWING CHART

Credit Unions: We surveyed credit unions as well as banks. Many consumers are not aware that member-owned credit unions have very broad fields of membership. If one family member qualifies, usually all do. If your business is a vendor or otherwise does business with a company or agency with a credit union, you may be eligible to join. Many credit unions have branches and ATM networks. Finally, once a member, always a member, even if you move on.

KEY TO THE COLUMNS IN THE CHART OF BANK FEES BY STATE

Fee Sked Score: This column summarizes our researchers' experience asking for bank fee schedules. **A** means the bank (38% nationwide) easily provided fee schedules on request. Bank branches receiving a **B or C** eventually provided most information following repeated requests (for a total of 55% in compliance). Bank branches receiving **F** (23%) never complied with the law.

Free Checking: Y or Yes means the bank offers a free checking account. Free checking accounts can have no monthly maintenance fees, including any associated with a balance. Free checking accounts can be subject to statement mailing fees, ATM fees, bounced check and other fees.

Free w/ Direct Deposit: You can avoid fees with a regular automated direct deposit. Many banks are setting minimums, such as "at least one $500 direct deposit" (e.g., a combination of two deposits totaling $500 is not allowed).

Balance To Open Account: In addition to a minimum opening deposit, most banks require an application that includes checking a credit report and complying with federal anti-money laundering "Know Your Customer" rules. Note that some banks now have higher-priced "second chance" accounts if your credit report shows unacceptable bounced check activity and disqualifies you. You have a right to look at all credit reports and dispute them.

Monthly Fee Regular Checking: This is the fee if you don't meet the direct deposit or balance to avoid fees requirements. (If we list more than one fee in this or any column, it is scheduled to increase soon.

Balance To Waive Fee: At some banks this is a minimum balance at any time during the month, at others it is an average (and some banks require you to meet both, although we only list one). Ask when opening the account. An average is easier to meet, but some banks have very low minimums. Some banks may also have additional ways to avoid fees, such as making five signature transactions on debit cards, having 5-10 activities of any sort on the account, etc. Shop.

Return Images: Banks are increasingly charging fees to either provide mailed statements or return check images. We report the more common fee for including images in mailed statements. We report the fee if it corresponds to the account disclosed. Other higher-cost accounts may have image return for free as a "feature." (A few banks still return checks, but due to check procedures, fewer are available to return).

Off-Us ATM Fees: This is the fee you pay your own bank to use another owner's ATM. It is disclosed only on your statement. The fee the other owner charges, called a surcharge or convenience fee, is disclosed on the ATM screen and on your ATM receipt.

NOTES ATM FEE: Many banks and credit unions waive a certain number of "Off-Us" fees, or don't charge them when you use certain local networks such as Pulse or Star or the SUM or Co-op surcharge free networks as opposed to the Plus or Cirrus networks (owned by Visa and Mastercard). Some banks and credit unions reimburse surcharges, although usually only on premium accounts. We do not report, but some banks charge annual fees for certain debit cards and others charge fees for PIN (not signature) transactions at merchants. Many banks collect a variety of fees for other ATM activity, such as issuing "mini-statements."

E-Bank Accounts: Other banks may offer electronic-only "E-accounts" that provide lower cost or free banking providing you avoid either visiting tellers, receiving mailed paper statements or both. We only report in the circumstance where the E-Bank account appears to be your only low-cost alternative. [MORE]

Overdraft Fees First Violation: Under new rules, some banks are offering overdraft fee tiers. For more violations, you pay higher fees (see “Overdraft Notes” for higher penalties for additional overdrafts).

Continuing Overdraft Fee: This is the fee charged when an overdraft is not cleared up by a deposit.

Overdraft Continues After # days: This refers to when a Continuing Overdraft Fee is imposed (either daily beginning that day) or every # days. This is a new disclosure and banks were not particularly clear about it. Ask.

Overdraft Notes: We list any higher fees for repeat violations and also describe whether the bank has announced a cap on the number of fees it charges in any day.

Statement Savings: This is generally the easiest savings account to qualify for, but also the lowest-earning. We list the minimum to open, the minimum to avoid fees and the fee, if any, if the minimum is not met. Banks also have varying fees, required by law, for excessive transactions in savings accounts.

Closing Account Early: Many banks charge a fee if you close an account within a certain number of months after it is opened. This is most harmful to students and others who move around. If the bank provided you with rewards to open an account, it may also seek to claw back those rewards, which can be significant ($50-100 in some cases).

Returned Deposit Item (DIR): This is a fee imposed when a check you deposit from someone else (not one you write) is returned due to insufficient funds. Massachusetts imposes limits on this fee, applicable to state chartered banks.

Transfer Fee To Avoid OD (overdrafts): We list the daily transfer fee, for days when the service is used. This fee is for account transfer or line of credit products you have formally applied for, not to be confused with “courtesy” or “standard” overdraft programs the bank makes available that you may have consented (opted-in) to allow. The transfer fees (around $10-12/day even for multiple occurrences on the same day) are substantially lower than overdraft protection fees (about $35/occurrence).

More On Overdraft: Regulators have issued new rules concerning “overdraft protection” schemes, which banks and credit unions had previously provided automatically as so-called “features” of accounts. They charge a typical “courtesy” overdraft fee of about $35 or but “cover” your overdrafts (allow transaction). Now, under the rules, unless you have affirmatively said yes, and opted-in to that program, you can no longer overdraft your debit card at a merchant or ATM machine. Your card will simply be declined and you will not pay a fee. If you have opted-in to any form of “Courtesy Overdraft Protection” (variously called “standard”), you should opt-out. A much better way to avoid bounced checks and debits is to apply for an overdraft Line of Credit (LOC) or a savings account or credit card transfer to cover your overdrafts. Ask for information at your bank or credit union. Note that if you opt-out of courtesy overdraft schemes, both checks and automatic electronic withdrawals (to pay recurring bills) can still result in overdrafts. If you don’t opt-out, the law sets no limit on the amount of overdraft fees at point of sale and ATMs a bank or credit union can impose. You have the right to reverse your opt-in at any time. Use it.

A BLANK ITEM DOES NOT NECESSARILY MEAN THAT THE BANK DOES NOT CHARGE THAT FEE,

ONLY THAT IT WASN’T DISCLOSED. ALL FEES SUBJECT TO CHANGE AT ANY TIME.