



THE
PEW
CHARITABLE TRUSTS

FDIC COMMITTEE ON ECONOMIC INCLUSION

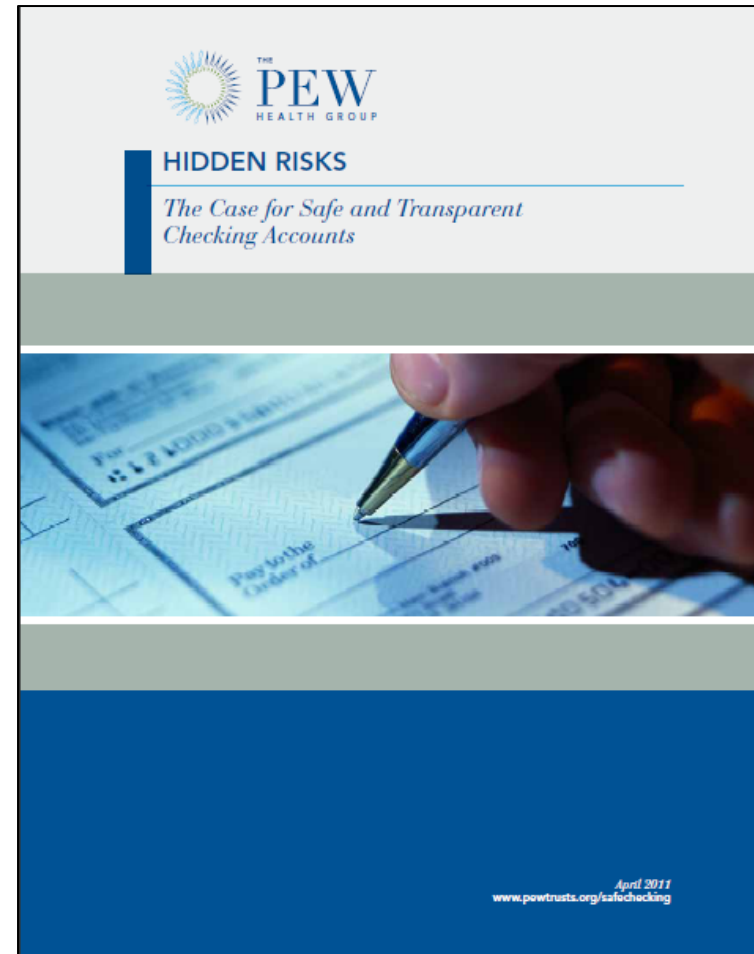
Evolving Trends in Financial Services:
Opportunities and Challenges for the Underserved



Hidden Risks: The Case for Safe and Transparent Checking Accounts

The Pew Health Group's Safe Checking in the Electronic Age Project aims to restore transparency, fairness, responsibility, and free market principles to one of the most common consumer financial products – the checking account.

In October 2010, Pew analyzed more than 250 checking accounts offered online by the 10 largest banks in the United States, which held nearly 60 percent of deposit volume nationwide.



Poor Disclosure of Key Terms & Conditions

111

THE MEDIAN
NUMBER OF PAGES
OF DISCLOSURE FOR A
CHECKING ACCOUNT



CHECKING ACCOUNT DISCLOSURES
ARE GENERALLY TWICE AS LONG AS
ROMEO AND JULIET

THE NUMBER OF DIFFERENT NAMES

7

USED BY THE TEN LARGEST
BANKS TO DESCRIBE THEIR
OVERDRAFT PENALTY FEE—

"OVERDRAFT ITEM FEE," "INSUFFICIENT
FUNDS FEE," "OVERDRAFT FEE,"
"OVERDRAFT ITEM PAID FEE," "RETURNED/
PAID ITEM FEE," "UNAVAILABLE FUNDS
PENALTY," "UNAVAILABLE FUNDS FEE"

—WHICH MAKES IT DIFFICULT FOR
CONSUMERS TO MAKE COMPARISONS.

Waiver of Immunity:

To the extent that you have or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, or otherwise) with respect to itself or its property, you hereby irrevocably waive such immunity of your obligations hereunder to the extent permitted by applicable law. Without limiting the effect of the foregoing, you agree that such waiver shall have the fullest extent permitted under the Federal Sovereign Immunities Act of 1976 of the United States and are intended to be irrevocable for the purpose of such act.

Arbitration:

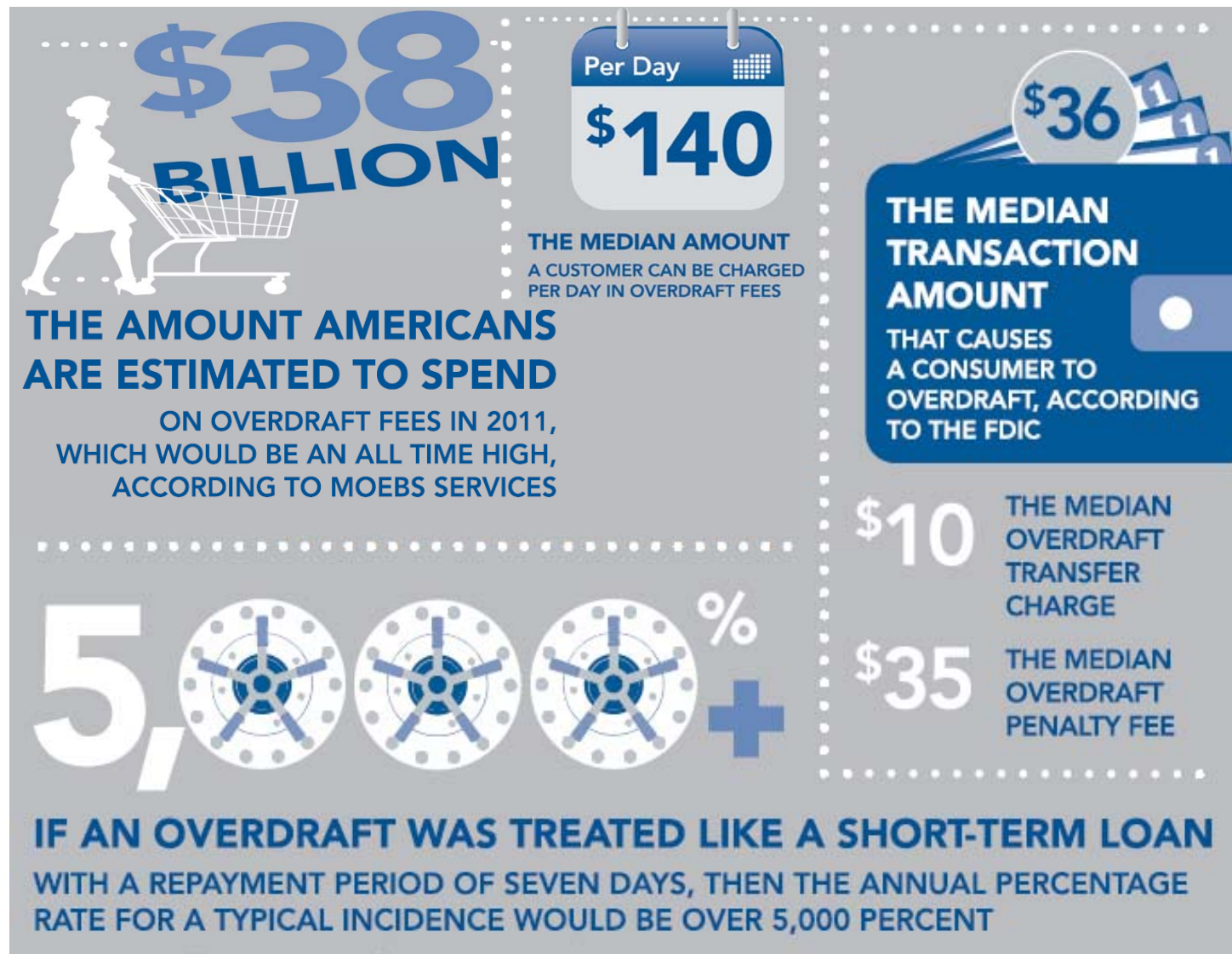
PLEASE READ THIS PROVISION CAREFULLY. IT PROVIDES, WITH THE SPECIFIC EXCEPTION STATED BELOW, THAT ANY DISPUTE MUST BE RESOLVED BY BINDING ARBITRATION. ARBITRATION REPLACES THE



Pew's Model Disclosure Box for Checking Accounts

BASIC TERMS AND CONDITIONS			
Account Opening and Usage	Minimum Deposit Needed to Open Account	\$	
	Monthly Fee	\$	
	Requirements to Waive Monthly Fee		Minimum combined account balance, direct deposit or other conditions
	Interest Rate	%	
	ATM Fees	\$	for using your bank's ATM
	ATM Fees	\$	for using another bank's ATM
	Non-Sufficient Funds (NSF) Fee	\$	per item
	Returned Check Fee	\$	per declined check written to your account
	Stop Payment Fee	\$	per item to stop payment for up to X months
	Account Closing Fee	\$	if account closed within Y days of opening
	Other Service Fees		Please consult the back of this document for a list of additional service fees.
Overdraft Options for Consumers with Debit Cards	Option A: (Default)	No Overdraft Service	If you choose not to opt in to any kind of overdraft service, transactions that would cause an overdraft will be declined at no cost to you.
	Option B:	Overdraft Transfer Fee	\$ per overdraft covered by transfer from linked savings account, line of credit, or credit card
		Overdraft Penalty Fee	\$ per overdraft covered by bank advance
	Option C: Overdraft Penalty	Maximum Number of Overdraft Penalty Fees per Day	
		Extended Overdraft Penalty Fee	\$ every Mth day the account is overdrawn, starting N days after the account is first overdrawn

Disproportionate Overdraft Fees





Banks Reorder Transactions, Which Increases Overdraft Fees

High-to-Low Posting:
How the bank ordered transactions

DATE	TRANSACTION DESCRIPTION	\$ +/-	BALANCE
10/5	Starting Balance		\$316.90
10/5 - 5	Return of Autozone purchase	\$17.23	
			\$334.13
10/10 - 1	Online transfer of funds to another account	-\$80.00	
			\$254.13
10/6 - 3	ATM withdrawal at a Non-Wells Fargo ATM	-\$22.00	
			\$232.13
10/6 - 4	Non-Wells Fargo ATM fee	-\$2.00	
			\$230.13
10/7 - 1	Debit card purchase at Albertsons Supermarket	-\$74.39	
			\$155.74
10/10 - 2	Check #1103	-\$65.00	
			\$91.74
10/5 - 2	Debit card purchase at Autozone	-\$47.99	
			\$42.75
10/6 - 1	Debit card purchase at IHOP Restaurant	-\$26.51	
			\$16.24
10/5 - 3	Debit card purchase at Autozone	-\$17.23	
			-\$0.99
	Overdraft Penalty Fee	-\$22.00	
			-\$22.99
10/5 - 1	Debit card purchase at Subway Restaurant	-\$11.27	
			-\$34.26
	Overdraft Penalty Fee	-\$22.00	
			-\$56.26
10/6 - 2	Debit card purchase at Farmer Boys Restaurant	-\$8.10	
			-\$64.36
	Overdraft Penalty Fee	-\$22.00	
			-\$86.36
10/5 - 4	Debit card purchase at Autozone	-\$3.23	
			-\$89.59
	Overdraft Penalty Fee	-\$22.00	
10/10	Final Balance		-\$111.59
Total Cost of Overdraft Fees			-\$88.00

Chronological Posting:
How the transactions actually occurred

DATE	TRANSACTION DESCRIPTION	\$ +/-	BALANCE
10/5	Starting Balance		\$316.90
10/5 - 1	Debit card purchase at Subway Restaurant	-\$11.27	
			\$305.63
10/5 - 2	Debit card purchase at Autozone	-\$47.99	
			\$257.64
10/5 - 3	Debit card purchase at Autozone	-\$17.23	
			\$240.41
10/5 - 4	Debit card purchase at Autozone	-\$3.23	
			\$237.18
10/5 - 5	Return of Autozone purchase	\$17.23	
			\$254.41
10/6 - 1	Debit card purchase at IHOP Restaurant	-\$26.51	
			\$227.90
10/6 - 2	Debit card purchase at Farmer Boys Restaurant	-\$8.10	
			\$219.80
10/6 - 3	ATM withdrawal at a Non-Wells Fargo ATM	-\$22.00	
			\$197.80
10/6 - 4	Non-Wells Fargo ATM fee	-\$2.00	
			\$195.80
10/7 - 1	Debit card purchase at Albertsons Supermarket	-\$74.39	
			\$121.41
10/10 - 1	Online transfer of funds to another account	-\$80.00	
			\$41.41
10/10 - 2	Check #1103	-\$65.00	
			-\$23.59
	Overdraft Penalty Fee	-\$22.00	
10/10	Final Balance		-\$45.59
Total Cost of Overdraft Fees			-\$22.00

Transaction Infraction



Slipping Behind: Low-Income Los Angeles Households Drift Further from the Financial Mainstream

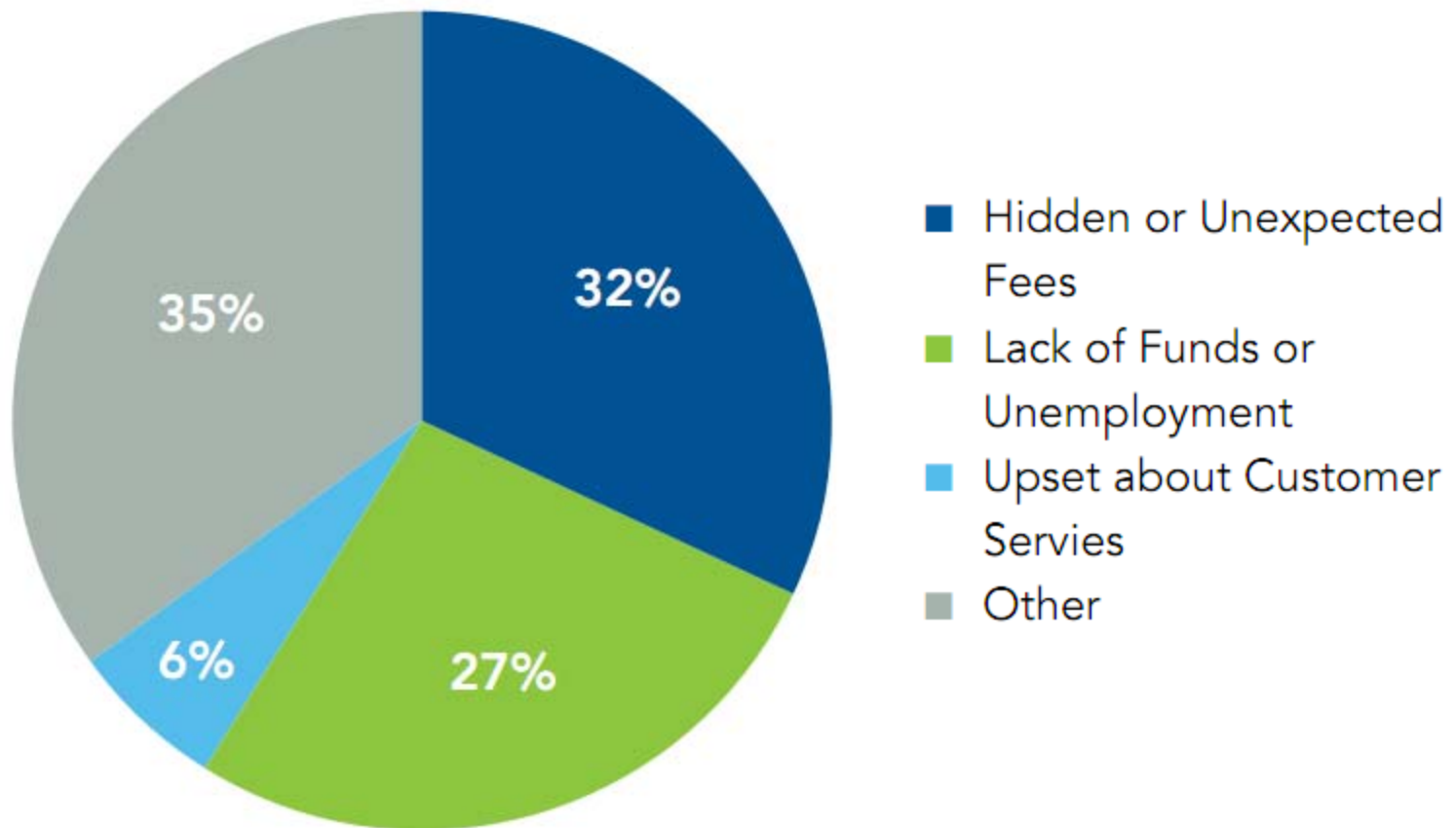
Longitudinal Study of 2,000 Low-Income Los Angeles Households

- Predominantly female, foreign born, and identify as Hispanic/Latino
- Nearly 8 in 10 report incomes less than \$25,000

KEY FINDING:

- Among the working poor, banking is associated with savings. Even when faced with high rates of job loss and declining household income during the period of our survey, the banked were better able to sustain their savings behaviors, including those associated with long-term goals such as paying for college. Eighty-eight percent of banked households have at least one savings account and, even in times of economic turmoil, **67 percent of the banked actively save at least some of the time. Among the unbanked, only 9 percent report being able to save.**

Slipping Behind: Reasons for Leaving Banking



Word Associations

PRODUCT 1

- Pay for things now, deceptive, high interest, cautious, can be useful, builds credit, service for customers, money for provider, debt, rat hole, convenient, cash back rewards, freedom, the devil, dangerous, eighteen, conspiracy, evil, thief, trap, points

PRODUCT 2

- Convenience, necessary, must have, beneficial, helpful, frustration, free, maintenance fees, comfort, fast money, responsibility, overdraft, easy, new shoes, indulgence, bills, in trouble, trap, deceiving, too nosy

PRODUCT 3

- Convenient, fees, usurious, useful, excessive, expensive, screwed, anger, rip off, helpful, crooked, untrustworthy, don't go there, scam, scary, expensive

PRODUCT 4

- Lifesaver, convenient, great thing, sometimes troublesome, can be expensive, fees, hidden fees, control, easy, safe, cheaper, security, not free, nice to have, fast reload, perfect, online shopping, indifferent, manageable, helpful, sketchy, Russell Simmons, gifts

Word Associations

CREDIT CARD

- Pay for things now, deceptive, high interest, cautious, can be useful, builds credit, service for customers, money for provider, debt, rat hole, convenient, cash back rewards, freedom, the devil, dangerous, eighteen, conspiracy, evil, thief, trap, points

CHECKING ACCOUNT

- Convenience, necessary, must have, beneficial, helpful, frustration, free, maintenance fees, comfort, fast money, responsibility, overdraft, easy, new shoes, indulgence, bills, in trouble, trap, deceiving, too nosy

CHECK CASHER

- Convenient, fees, usurious, useful, excessive, expensive, screwed, anger, rip off, helpful, crooked, untrustworthy, don't go there, scam, scary, expensive

PREPAID CARD

- Lifesaver, convenient, great thing, sometimes troublesome, can be expensive, fees, hidden fees, control, easy, safe, cheaper, security, not free, nice to have, fast reload, perfect, online shopping, indifferent, manageable, helpful, sketchy, Russell Simmons, gifts



Overdraft is Driving Prepaid

Control/Hidden Fees

- Should not be allowed to spend more than you have

Nearly all participants had experience with overdrafts.

- A number cited “personal responsibility” in overdrafts.
- Most agreed that the size of the overdraft fee was unreasonable.
 - “\$35 on \$5 is ridiculous”

Seven participants would like to be able to overdraft.

Fifteen participants would like to access a line of credit.



Specifics on Prepaid Cards

Benefits

- Spending Control
- Budgeting
- Anonymity
- Security of Funds (as opposed to carrying cash)

Negatives

- Volume of fees
 - Purchase fee
 - Monthly fee
 - ATM fee
 - Customer Service fee
- "Holds" on funds



Prepaid Card Fees

What fee did you pay to purchase the card?

- Average: \$3.38
- Range: \$0.00 - \$10.00

What was the reloading fee?

- Average: \$3.82
- Range: \$3.00 to \$4.95

What was the ATM fee?

- Average: \$2.81
- Range: \$1.00 - \$4.95
- Most do not withdraw cash at the ATM with the card.



Prepaid Card Loading Information

How much did you put on the card when purchased?

- Average: \$255
- Range: \$20-\$1,500

Most reloaded the card multiple times.

How much money did you reload on the card?

- Average: \$272
- Range: \$10-\$1,750


How often did you reload the card?

- Average: 2.9 weeks
- Range: 1 week to 8 weeks


Most reloaded the card in a store.




Recommendations for Banks




Prevent reordering of transactions
specifically designed to increase overdrafts




One page disclosure box for checking accounts



Reasonable overdraft fee size



Speed up funds availability



Provide a comprehensive suite of products such as money
orders, check cashing, bill pay services, and personal loans



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