

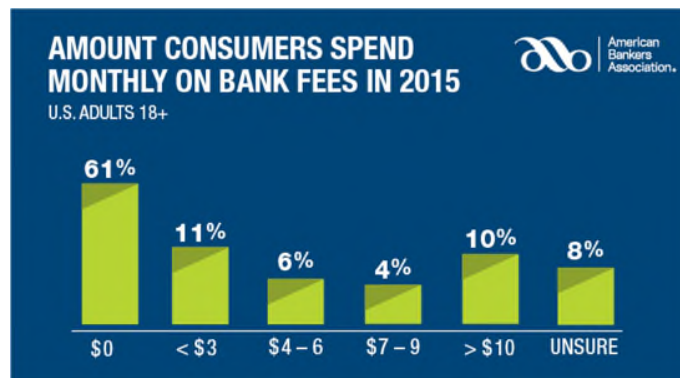


## Fees and Pricing of Banking Products

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### Most bank customers pay little or no fees.

- Most bank customers—72 percent—spend \$3 or less in monthly fees for banking services such as checking account maintenance and ATM access—less than the cost of a gallon of milk.<sup>1</sup>
- The majority of Americans—61 percent—continue to pay nothing at all.<sup>1</sup>



- However, regulatory issues have made providing universal free checking accounts more challenging. While many savvy customers avoid paying fees, those who reported paying \$10 or more per month increased 3 percent over the same period.

### Convenient banking services are a good value.

- \$3 a month is substantially less than the going rate for services like basic cable, daily newspaper delivery, Internet access and many other expenses that most households consider “basic necessities” today.
- By responsibly managing their accounts, customers can have free access to a service that ensures their money is safe and available day and night—anywhere in the world.

### Banks lose money on nearly half of all checking accounts.

- The average checking account costs banks \$349. Yet, the average revenue per account is just \$268, a difference of \$81.<sup>2</sup>
- To help cover the cost of providing checking accounts, banks rely upon revenue they receive from merchants as compensation for using the payment system that banks created. This revenue has been reduced in recent years due to government-imposed reductions in the amount of fees banks can collect from merchants.
- While providing free checking accounts has become more challenging in today’s regulatory environment, a competitive financial marketplace—along with prudent account management from bank customers—means more people still pay nothing for the great service banks provide across multiple convenient channels.

## Fees and Pricing of Banking Products

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**Consumers have more choices of bank products and services than ever before.**

- Banks today offer a menu of choices that covers just about every aspect of financial services.
- A-la-carte pricing allows consumers to pick and choose the products and prices that best suit their lifestyles, from plain vanilla to all the bells and whistles. Those who prefer a bundled account can often combine deposit, savings and investment services at a discount.

**Consumers benefit from a strong and intensely competitive financial services industry.**

- Consumers benefit with more choices. Today, there are more than 6,300<sup>3</sup> banks in the U.S. and more than 93,000 branches.
- Competition and the marketplace determine prices.
- Strong banks are important to maintaining a thriving U.S. economy. Anyone who invests in a mutual fund or depends on a pension or retirement fund that invests in bank stocks benefits from bank profits.

**Consumer tips for reducing banking costs:**

- **Utilize free checking and savings accounts.** Many banks still offer them.
- **Utilize direct deposit.** Many checking accounts are free when your paycheck or benefits check is automatically deposited each month.
- **Keep a minimum balance.** Keep at least the minimum balance required in your account. This helps to avoid monthly fees and accidental overdrafts.
- **Keep multiple accounts at your bank.** Many banks are looking at the entire customer relationship and may offer free services if you maintain both checking and savings accounts with them, for example.
- **Use your bank's ATMs.** Avoid fees by using ATMs owned by or affiliated with your bank.
- **Reduce the use of foreign ATMs.** If you must use an ATM not affiliated with your bank, take out larger withdrawals to avoid having to go back multiple times.
- **Don't spend more money than you have.** Keep track of transactions and account balances to avoid overdraft fees.
- **Sign Up for Email or Text Alerts.** Ask for an automatic alert when your balance falls below a certain level.

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**Bank fees are transparent and easy to understand:**

- Transparency is important to banks since that's how they compete for customers. Federal law already requires banks to provide terms and fees in a clear and conspicuous manner.
- Twenty-five financial institutions, including most of the largest banks and credit unions in the country, have already voluntarily adopted a uniform disclosure box that meets the standards of Pew Charitable Trusts.
- One size does not always fit all. Financial institutions need the flexibility to provide information in a way they believe best suits their products and customers.
- People understand what they are signing up for and are able to avoid fees. Allegations by consumer groups to the contrary are misleading.
- ABA is opposed to any rule that would prohibit mandatory arbitration clauses, limit overdraft charges or require additional disclosure.
- All banks are already required to provide customers with a one-page, easy-to-read, consumer-tested notice before they sign up for overdraft protection. This notice explains the product and points out that there are cheaper alternatives.

*Sources:*

<sup>1</sup>*ABA Consumer Survey*, conducted by Ipsos Public Affairs (July 2015). Retrieved from: <http://www.aba.com/Press/Pages/081815SurveyonBankCosts.aspx>

<sup>2</sup>Moebs Services Inc.

<sup>3</sup>Summary of Deposits, FDIC (2015).

<sup>4</sup> *Pew Releases Latest Ratings of Banks on Key Consumer Protections*, Pew Charitable Trusts (May 2015). Retrieved from <http://www.pewtrusts.org/en/about/news-room/press-releases/2015/05/12/pew-releases-latest-ratings-of-banks-on-key-consumer-protections>