Checks and Balances

Measuring checking accounts' safety and transparency

May 2013

The Pew Charitable Trusts is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public, and stimulate civic life.

The 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.

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For additional information, visit www.pewtrusts.org/safechecking.

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Pew overview

Consumers need safe and transparent checking accounts. "Access to mainstream financial services at an insured institution," notes the Federal Deposit Insurance Corp., "provides consumers with a safe place to save, conduct basic financial transactions, build a credit history and access credit on favorable terms, and achieve financial security."[1] Previous research from The Pew Charitable Trusts' financial security portfolio also shows that having a checking account allows consumers to better weather economic storms. In addition, these accounts offer consumers the opportunity to enter the financial mainstream by providing access to a savings account and the potential to apply for and manage more sophisticated products such as credit to purchase a car or home.[2]

This report reviews the checking accounts offered by 36 of the nation's 50 largest banks according to their practices in three areas: disclosures, overdrafts, and dispute resolution. The study builds on two previous Pew reports. "Hidden Risks: The Case for Safe and Transparent Checking Accounts," released in April 2011, analyzed more than 250 distinct checking accounts offered by the retail subsidiaries of the 10 largest bank holding companies.[3] "Still Risky: An Update on the Safety and Transparency of Checking Accounts," released in May 2012, expanded the research of the April 2011 report to include the 12 largest banks and 12 largest credit unions as determined by domestic deposit volume.[4]

This study examines and analyzes the data differently from the first two reports. First, Pew collected the checking account disclosures of the most basic account offered by 36 of the 50 largest U.S. banks based on deposit volume as reported by the Federal Deposit Insurance Corp. These 36 banks comprise almost 56 percent of domestic deposit volume. Account data from the other 14 banks in the top 50 could not be collected because the information was not available online or by mail.

For this report, Pew defined bank "best" and "good" checking account practices based on its previous research in the areas of disclosures, overdraft, and dispute resolution policies and practices.[5] Pew's Model Disclosure Box for Checking Accounts (see Page 7) is the template for rating each bank on whether its checking account disclosures could be considered a best or good practice. It was then determined whether each bank engaged in best or good practices for overdraft and dispute resolution according to the information provided in its account agreement and other supplemental documents describing its policies.

Pew defines best practices as those that are the most effective in:

- Providing checking accountholders with clear and concise disclosure about costs and terms.
- Reducing the incidence of overdrafts and eliminating practices that maximize overdraft fees.
- Offering consumers a meaningful choice to resolve a problem with their bank rather than including mandatory binding arbitration clauses in checking account agreements.

Good practices are those that provide some protection to consumers in these areas but are not as expansive or effective as best practices. Depending on the practices and policies of each bank, it could be deemed to engage in both best and good practices in any of the three areas under review.

In examining the disclosures provided by the banks, Pew's top-line findings are as follows:

- No bank provided all best practices or even good practices in every category. Ninety-seven percent of the studied banks achieved at least one best practice. But even among the highest-performing banks, virtually none performed well in every studied category.
- The 14 banks in the top 50 that could not be included in the study failed to provide the opportunity for consumers to review all of the relevant disclosures for checking accounts without visiting a branch.

- Two of the nation's largest financial institutions—Citibank and Bank of America—are among the five highest-performing banks in Pew's analysis. The top five scores include those earned by Ally Bank, Charles Schwab Bank, First Republic Bank, Citibank, and Bank of America.

- The leading bank in the study is Internet banking service Ally Bank. While Ally Bank achieved the highest number of best practices, it still failed to provide optimal policies across all three studied categories.

The findings demonstrate the need for the Consumer Financial Protection Bureau to write new rules to ensure that the features of these fundamentally important accounts are fair and transparent. Pew continues to urge the bureau to require financial institutions to:

- Summarize key information about terms and fees in a concise, uniform format.

- Provide accountholders with clear, comprehensive terms and pricing information for all available overdraft options.

- Make overdraft penalty fees reasonable and proportional to the financial institution's costs in providing the overdraft loan.

- Post deposits and withdrawals in a fully disclosed, objective, and neutral manner that does not maximize overdraft fees.

- Prohibit predispute mandatory binding arbitration clauses in checking account agreements, which prevent accountholders from accessing courts to challenge unfair and deceptive practices or other legal violations.

Nine in 10 American households have a checking account.[6] The product's near ubiquity and necessity for financial management for all consumers increase the importance of ensuring that checking account terms are understandable and do not include hidden fees or practices that unnecessarily deplete the funds deposited in the account. Otherwise, as demonstrated by previous academic research and Pew data on low-income Los Angeles-area households, these policies push vulnerable consumers out of the banking system and into the realm of expensive alternative financial services such as check cashing.[7]

Disclosure policies

Pew policy recommendations

The Consumer Financial Protection Bureau or Congress should:

- Require depository institutions to provide information about checking account terms, conditions, and fees in a uniform, concise, easy-to-read format that would be available online and in financial institutions' branches.
- Require depository institutions to provide accountholders with clear, comprehensive terms and pricing information for all available overdraft options when a customer is considering opting in to a plan.

Disclosure overview

Transparency is fundamental to ensuring that consumers are aware of the terms and conditions associated with a checking account. Furthermore, lack of clarity regarding fees and terms hinders competition and the operation of an effective marketplace. Case in point: It is extremely difficult for consumers to comparison shop for a checking account when the median length of the account agreement and fee schedule disclosures (not including the additional documents describing these products) is 43 pages for the banks studied here.

For this reason, in 2011 Pew developed and published a summary disclosure box that concisely lists the key fees and terms of a checking account in an easy-to-understand format so consumers can make these comparisons and choose the bank account that best meets their needs. (See Figure 1.) As of April 2013, 18 financial institutions have worked with Pew to adopt this checking account disclosure box, including seven of the 12 largest banks and two of the three largest credit unions, covering approximately 40 percent of domestic deposit volume.[8]

The adoption of these boxes is a significant step forward in the transparency of checking accounts. The disclosure boxes of these financial institutions all include information on overdraft fees and account offerings, yet their lack of uniformity makes it hard for consumers to compare key practices across institutions. Lack of a standard nomenclature in the disclosures contributes to this difficulty. What Pew refers to as an overdraft penalty fee is also called a "courtesy pay fee," "overdraft protection fee," "overdraft coverage fee," and "bounce protection."

Just as the uniformity of food nutrition labels makes it easy for consumers to compare and choose products based on sodium content or calories, checking account disclosures should allow consumers to make choices based on the minimum balance required or the monthly fees. For this reason, Pew recommends that the Consumer Financial Protection Bureau require banks to disclose their key fees, terms, and conditions in a uniform, concise, and easy-to-understand manner.

Figure 1:

Pew's Model Disclosure Box for Checking Accounts

Section	Item		Amount	Details
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-Bearing		yes/no	
	ATM Fees		$	for using an ATM in your institution's ATM network
			$	for using an ATM outside of your institution's ATM network
	Non-Sufficient Funds (NSF) Fee		$	per declined transaction made against insufficient funds
	Deposited Item Returned Fee		$	for each item that you deposit that is rejected because the payor did not have enough money in their 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 Plan	Overdraft Transfer Fee	$	per overdraft covered by a transfer from a linked savings account, line of credit, or credit card
	Option C: Overdraft Penalty Plan	Overdraft Penalty Fee	$	per overdraft covered by an advance from your financial institution
		Maximum Number of Overdraft Penalty Fees per Day		You will only be charged this number of overdraft penalty fees per day, even if we elect to cover additional overdrafts.
		Minimum Amount Required to Trigger an Overdraft Penalty Fee	$	If you are overdrawn by this amount or less, you will not incur an overdraft penalty fee.
		Extended Overdraft Penalty Fee	$	charged every X day the account is overdrawn, starting Y days after the account is first overdrawn
Processing Policies	Posting Order *The order in which withdrawals and deposits are processed*			*Summary of policy*
	Deposit Hold Policy *When funds deposited to your account are available*			• Cash deposit with teller: X business day • Cash deposit at ATM: X business day • Check deposit with Teller: X business day • Check deposit at ATM: X business day • Direct deposit: X business day • Wire transfer: X business day • If something causes a longer hold on a deposit, the first $200 of that deposit will be made available either the same business day or the next business day. • Funds from non-bank checks may take an extra business day to become available. *A "business day" is a non-holiday weekday. The end of a "business day" varies by financial institution and by branch. At branches, business days end no earlier than Y p.m. and at ATMs business days end no earlier than Z p.m.*
Dispute Resolution	Dispute Resolution Agreement			*Summary of agreement*

Disclosure best practices

Pew developed the disclosure box with input from focus groups in Philadelphia, Minneapolis, and Los Angeles in March 2011. Two group sessions were conducted in each city, one composed of young adults and the other of middle-aged adults, all of whom had either opened a checking account in the past two years or had helped an adult child open one within the same time frame. Two versions of the proposed box were provided for their review. The final box (See Figure 1 above) is the result of the feedback received from the participants.

Key findings from disclosure box focus groups

Participants found bank-provided information to be lengthy and unreadable.

- Some group members described being "surprised" by fees due to lack of awareness and/or understanding of the terms of their checking accounts.

Participants wanted a simple and convenient reference document.

- Participants wanted to know about any and all fees that a bank might charge. One group member stated, "If it's going to cost me money, I want to know about it."

Participants saw the disclosure box as a financial safeguard.

- Group members thought the box could be used to avoid penalties, fees, and personal financial errors. One stated, "It's knowledge first of what you are doing so you don't mess your account up."

Participants saw the disclosure box as a tool to comparison shop.

- Many thought the box would be useful to investigate a bank and/or to compare multiple banks on the basis of fees.

In July 2011, Pew asked checking accountholders their views on bank practices regarding its checking account policy recommendations. Respondents were overwhelmingly supportive of improved bank disclosure requirements:

- 78 percent said it would be a positive change to require banks to provide a one-page summary of information about their checking accounts' terms, conditions, and fees.

- 83 percent said it would be a positive change to require banks to provide a summary of information about the overdraft options they offer, how the options work, and a description of the fees.

Even a majority of respondents who said there is already "too much" or "about the right amount" of government oversight and regulation of banks supported these proposals related to detailing account terms and overdrafts.

Based on this survey research and policy recommendations, Pew defines a best practice for disclosures as the adoption of a summary disclosure box that clearly and concisely lays out key fees, terms, and conditions for checking accounts, which 18 banks implemented between December 2011 and October 2012. Of the top 50 banks, the following, listed by deposit volume, have adopted a box that meets Pew's clear disclosure criteria:[9]

JPMorgan Chase Bank
Bank of America
Citibank
Wells Fargo Bank

TD Bank
Capital One Bank
Fifth Third Bank
Webster Bank

Disclosure good practices

Pew's model disclosure box lays out key fees and terms for checking accounts in their entirety, so banks that have adopted this box have been deemed as engaging in a best practice. Those banks that clearly disclose a customer's debit card overdraft options, particularly the default option of no overdraft service, as well as the fees for overdraft transfer and penalty service, are considered to engage in good rather than best practices because the disclosures do not provide the range of information about other types of fees and policies as the full box does. A section of Pew's model disclosure box (See Figure 2) lays out the overdraft options offered to most consumers.

Figure 2:

Overdraft Options Excerpt from Pew's Model Disclosure Box for Checking Accounts

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 Plan	Overdraft Transfer Fee	$	**per overdraft covered by a transfer from a linked savings account, line of credit, or credit card**
	Option C: Overdraft Penalty Plan	Overdraft Penalty Fee	$	**per overdraft covered by an advance from your financial institution**
		Maximum Number of Overdraft Penalty Fees per Day		**You will only be charged this number of overdraft penalty fees per day, even if we elect to cover additional overdrafts.**
		Minimum Amount Required to Trigger an Overdraft Penalty Fee	$	**If you are overdrawn by this amount or less, you will not incur an overdraft penalty fee.**
		Extended Overdraft Penalty Fee	$	**charged every X day the account is overdrawn, starting Y days after the account is first overdrawn**

As of August 2010, first the Federal Reserve and now the Consumer Financial Protection Bureau have required banks to obtain a customer's affirmative consent (opt-in) prior to enrolling him or her in an overdraft program that covers ATM and debit point-of-sale transactions. Yet Pew's survey research reveals a great amount of consumer confusion about this product. In April 2012, when Pew surveyed Americans who had overdrawn with their debit card in the last year, 54 percent stated they had not opted in to programs that allowed them to overdraw their checking account with their debit card.[10]

In "Hidden Risks" and "Still Risky," Pew pointed out the need to improve the form that the Federal Reserve has deemed as the "safe harbor" for banks to use when enrolling a customer in debit card overdraft service, meaning that any financial institution that uses it or a close variation is automatically in compliance with the opt-in regulation. For instance, the form does not list all overdraft options, along with the price for each option, so a consumer can make an informed decision with all choices for coverage (including the default option of no coverage).

Because of the need for better consumer understanding of overdraft options, Pew defined good bank practices for disclosures based on the information provided about this product. In "Still Risky," Pew judged banks to have clearly disclosed a fee or policy if the information was available in any of the following locations: the bank's checking home page, the Web page specific to the account, the schedule of fees, or a disclosure box. When information was only available as part of the account agreement, which is typically many pages long and densely written, it was not considered to be clearly disclosed. For this reason, Pew defined a good disclosure practice as one that allows consumers to easily find key overdraft fees, terms, and conditions as outlined in "Still Risky."

Identifying the overdraft default option

Under the Federal Reserve's opt-in rules, the default option for overdraft if the consumer does nothing is that there will be no overdraft coverage for point-of-sale debit and ATM transactions. Yet not all bank disclosures make this default option clear, nor label it as such. The following banks, including the banks listed above that have adopted Pew's disclosure box or do not charge a fee for debit overdraft, engage in the good disclosure practice of labeling no overdraft service as the default option for debit point-of-sale and ATM transactions (listed by deposit volume):

JPMorgan Chase Bank
Bank of America
Citibank
Wells Fargo Bank
TD Bank
SunTrust Bank
Capital One Bank
Fifth Third Bank
Charles Schwab Bank
USAA Federal Savings Bank
Ally Bank
First Republic Bank
City National Bank
OneWest Bank
Webster Bank
TCF National Bank
Bank of Hawaii

Overdraft transfer fee amount disclosed

The Federal Reserve's safe harbor form does not require banks to disclose the fee for an overdraft transfer, which links funds from a consumer's savings account, line of credit, or credit card to their checking account. Yet Pew's research has shown the cost for an overdraft transfer is significantly less than for an overdraft penalty fee. In Pew's most recent data collection from October 2012, the median overdraft penalty fee was $35, while the median overdraft transfer fee was $10. For this reason, Pew identified clear disclosure of the overdraft transfer fee as a good practice, which the following banks, including those that have adopted the disclosure box or do not charge a fee for debit overdraft, have engaged in (listed by deposit volume):

JPMorgan Chase Bank
Bank of America
Citibank
Wells Fargo Bank
U.S. Bank
PNC Bank
TD Bank
BB&T
SunTrust Bank
Capital One Bank
Fifth Third Bank
RBS Citizens
Charles Schwab Bank
Comerica Bank
Sovereign Bank
Compass Bank
Bank of the West
First Republic Bank
City National Bank
Frost Bank
Commerce Bank
Associated Bank
Zions First National Bank
Webster Bank
TCF National Bank
Susquehanna Bank
Bank of Hawaii

Penalty fee disclosure

To allow consumers to make the most appropriate product choices, banks should clearly disclose all options that would result in a fee. For this reason, Pew labeled clear and easily accessible disclosure of overdraft penalty fees as another good bank practice. The following banks, including those that have adopted Pew's disclosure box or do not charge a fee for debit overdraft, provided this information in a form that was easy for consumers to find (listed by deposit volume):

JPMorgan Chase Bank
Bank of America
Citibank
Wells Fargo Bank
U.S. Bank
PNC Bank
TD Bank
HSBC
BB&T
SunTrust Bank
Capital One Bank
Fifth Third Bank
RBS Citizens
Charles Schwab Bank
Union Bank
KeyBank
Comerica Bank
Sovereign Bank
Compass Bank
Bank of the West
Ally Bank
First Republic Bank
City National Bank
Frost Bank
Commerce Bank
First Tennessee Bank
Associated Bank
Zions First National Bank
Webster Bank
TCF National Bank
Signature Bank
Susquehanna Bank
Bank of Hawaii

The figure on the next page summarizes Pew's findings with regard to disclosure practices. Banks are ranked by the total number of best and good practices. Banks that received the same rating are listed alphabetically.

Figure 3:

Overview of bank disclosure best and good practices

Banks ordered by total number of best practices, total number of good practices, and, for the same rating, alphabetically

Disclosure						
	Best practices	Good practices				
Bank name	Adoption of a summary disclosure box	Identifying the overdraft default option	Overdraft transfer fee amount disclosed	Penalty fee disclosure	Total best practices out of 1	Total good practices out of 3
Bank of America	★	✓	✓	✓	★ = 1	✓ = 3
Capital One Bank	★	✓	✓	✓	★ = 1	✓ = 3
Citibank	★	✓	✓	✓	★ = 1	✓ = 3
Fifth Third Bank	★	✓	✓	✓	★ = 1	✓ = 3
JPMorgan Chase Bank	★	✓	✓	✓	★ = 1	✓ = 3
TD Bank	★	✓	✓	✓	★ = 1	✓ = 3
Webster Bank	★	✓	✓	✓	★ = 1	✓ = 3
Wells Fargo Bank	★	✓	✓	✓	★ = 1	✓ = 3
Bank of Hawaii*	☆	✓	✓	✓	★ = 0	✓ = 3
Charles Schwab Bank	☆	✓	✓	✓	★ = 0	✓ = 3
City National Bank	☆	✓	✓	✓	★ = 0	✓ = 3
First Republic Bank	☆	✓	✓	✓	★ = 0	✓ = 3
SunTrust Bank*	☆	✓	✓	✓	★ = 0	✓ = 3
TCF National Bank*	☆	✓	✓	✓	★ = 0	✓ = 3
Ally Bank	☆	✓	(✓)	✓	★ = 0	✓ = 2
Associated Bank	☆	(✓)	✓	✓	★ = 0	✓ = 2
Bank of the West	☆	(✓)	✓	✓	★ = 0	✓ = 2
BB&T	☆	(✓)	✓	✓	★ = 0	✓ = 2
Comerica Bank	☆	(✓)	✓	✓	★ = 0	✓ = 2
Commerce Bank	☆	(✓)	✓	✓	★ = 0	✓ = 2
Compass Bank	☆	(✓)	✓	✓	★ = 0	✓ = 2
Frost Bank	☆	(✓)	✓	✓	★ = 0	✓ = 2
PNC Bank*	☆	(✓)	✓	✓	★ = 0	✓ = 2
RBS Citizens	☆	(✓)	✓	✓	★ = 0	✓ = 2
Sovereign Bank	☆	(✓)	✓	✓	★ = 0	✓ = 2
Susquehanna Bank	☆	(✓)	✓	✓	★ = 0	✓ = 2
U.S. Bank	☆	(✓)	✓	✓	★ = 0	✓ = 2
Zions First National Bank	☆	(✓)	✓	✓	★ = 0	✓ = 2
First Tennessee Bank	☆	(✓)	(✓)	✓	★ = 0	✓ = 1
HSBC*	☆	(✓)	(✓)	✓	★ = 0	✓ = 1
KeyBank	☆	(✓)	(✓)	✓	★ = 0	✓ = 1
OneWest Bank	☆	✓	(✓)	(✓)	★ = 0	✓ = 1
Signature Bank	☆	(✓)	(✓)	✓	★ = 0	✓ = 1
Union Bank	☆	(✓)	(✓)	✓	★ = 0	✓ = 1
USAA Federal Savings Bank	☆	✓	(✓)	(✓)	★ = 0	✓ = 1
First Niagara Bank	☆	(✓)	(✓)	(✓)	★ = 0	✓ = 0

★ = Engages in this best practice ✓ = Engages in this good practice ☆ = Does not engage in this best practice (✓) = Does not engage in this good practice

*Since the collection of data for this report in October 2012, SunTrust Bank worked with Pew to develop and publish a disclosure box. Bank of Hawaii, HSBC, PNC Bank, and TCF National Bank also have published disclosure boxes.

Overdraft policies

Pew policy recommendations

The Consumer Financial Protection Bureau or Congress should:

- Require that overdraft penalty fees be reasonable and proportional to the institution's costs in providing the overdraft loan or to the size of the violation.
- Require depository institutions to post deposits and withdrawals in a fully disclosed, objective, and neutral manner, such as in chronological order, that does not maximize overdraft fees.

Overdraft overview

Pew's May 2012 report, "Overdraft America: Confusion and Concerns About Bank Practices," details the results of a survey of consumers who had overdrawn their checking account in the past year when using their debit card at point-of-sale or at an ATM. Almost three-quarters of respondents incurred an overdraft penalty fee, the most expensive type of overdraft coverage.

Findings from the report demonstrate both consumer misunderstanding and unhappiness with bank overdraft fees and policies.[11] Two cases in point: More than half of those who overdrafted in the year under study did not believe they had opted in to overdraft service, and three-quarters reported that they would prefer having a transaction declined than being charged a $35 fee for overdrawing the account.

In addition, nearly nine in 10 overdrafters were either somewhat or very concerned about banks reordering the posting of transactions to maximize overdraft fees. Almost one in five consumers had experienced an overdraft in the past year, and almost two-thirds believe that this service mostly hurts consumers.

Types of overdraft plans

Overdraft penalty plans:
A service in which short-term advances are made for a fee by the financial institution to cover an overdrawn checking account. Median fee for the banks studied is $35.

Overdraft transfer plans:
An automatic transfer from another account or product such as a savings account, credit card, or overdraft line of credit to pay for any overdrafts. Median fee for the banks studied is $10.

Extended overdraft penalty fee:
An additional fee charged if an accountholder fails to pay back both an overdraft amount and its attendant fee within a set number of days. Median fee for the banks studied is $12.50. Median number of days after which an extended overdraft penalty fee is charged is five.

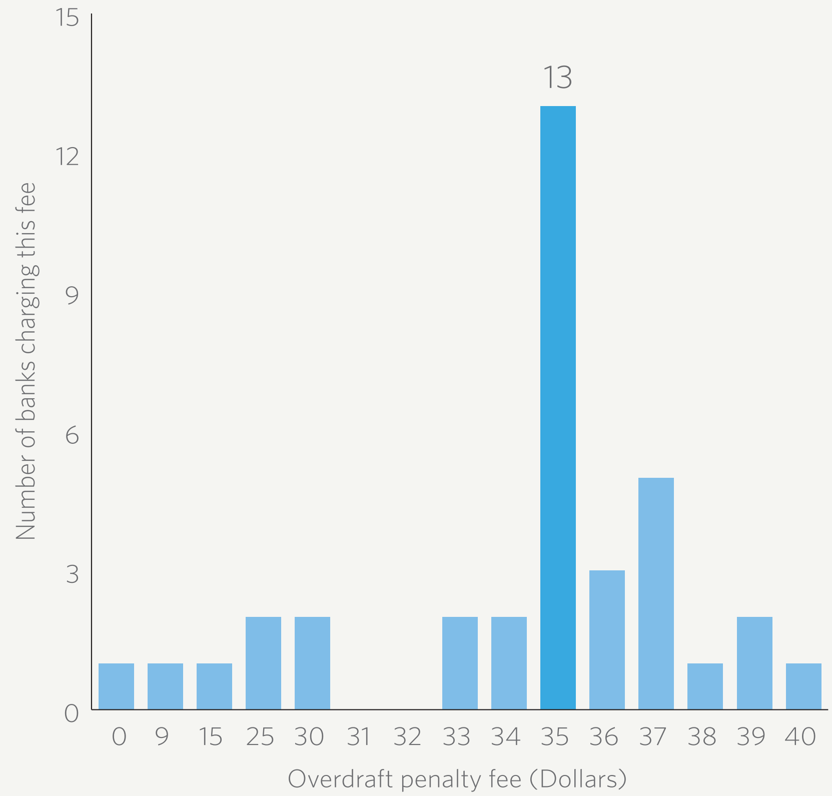
Customers must apply for overdraft transfer plans and affirmatively enroll in an overdraft penalty plan that covers ATM and point-of-sale debit card transactions. But financial institutions are allowed to automatically enroll accountholders in overdraft penalty plans for other types of transactions, such as checks and Automated Clearing House payments, which are electronic transfers of funds.

The median overdraft penalty fee for the 36 banks Pew studied for this report is $35, which is unchanged from our two previous reports. Over half of these banks charge between $35 and $37 per overdraft. (See Figure 4.)

Figure 4:

Distribution of bank overdraft penalty fees

Most large banks charge $30-$40 for overdraft penalty fee



Source: The Pew Charitable Trusts, 2013

In February 2012, the Consumer Financial Protection Bureau opened a request for information about overdraft policies and practices.[12] Pew encourages the bureau to develop new rules that ensure overdraft penalty fees are reasonable and that prohibit the reordering of transactions that has the effect of maximizing overdraft fees.

Overdraft best practices

Given the data from "Overdraft America" that one-third of customers who had overdrawn their bank accounts closed them due to these fees, Pew examined bank policies that are most effective in limiting overdrafts and those that ensure the processing of payments or withdrawals do not result in additional overdraft fees. Based on Pew's research and policy, the following three best practices for overdraft service were identified.

No ATM overdrafts

The following banks, listed by deposit volume, disallow ATM overdrafts or do not charge a fee for overdrawing an account, ensuring that their customers will not be charged a fee for mistakenly overdrawing their checking accounts.

Citibank
Charles Schwab Bank
USAA Federal Savings Bank
Ally Bank
First Republic Bank
City National Bank
OneWest Bank

No debit point-of-sale overdrafts

The following banks, listed by deposit volume, disallow point-of-sale debit overdrafts or do not charge a fee for overdrawing an account, ensuring that their customers will not be charged for overdrawing their checking accounts with these transactions.

Bank of America
Citibank
Charles Schwab Bank
USAA Federal Savings Bank
Ally Bank
First Republic Bank
City National Bank
OneWest Bank

No highest-to-lowest dollar amount transaction reordering

Banks can maximize the number of times an account is overdrawn by reordering withdrawals to reduce the account balance as quickly as possible. Posting withdrawals from largest to smallest has the effect of maximizing overdrafts. The banks below do not engage in the practice of posting withdrawals from highest to lowest dollar amount or do not charge for any overdrafts (listed by deposit volume).[13]

Citibank
U.S. Bank
HSBC
BB&T
Charles Schwab Bank
USAA Federal Savings Bank
Bank of the West
Ally Bank
First Republic Bank
City National Bank
Frost Bank
OneWest Bank
Associated Bank
Zions First National Bank
Signature Bank
Susquehanna Bank
Bank of Hawaii

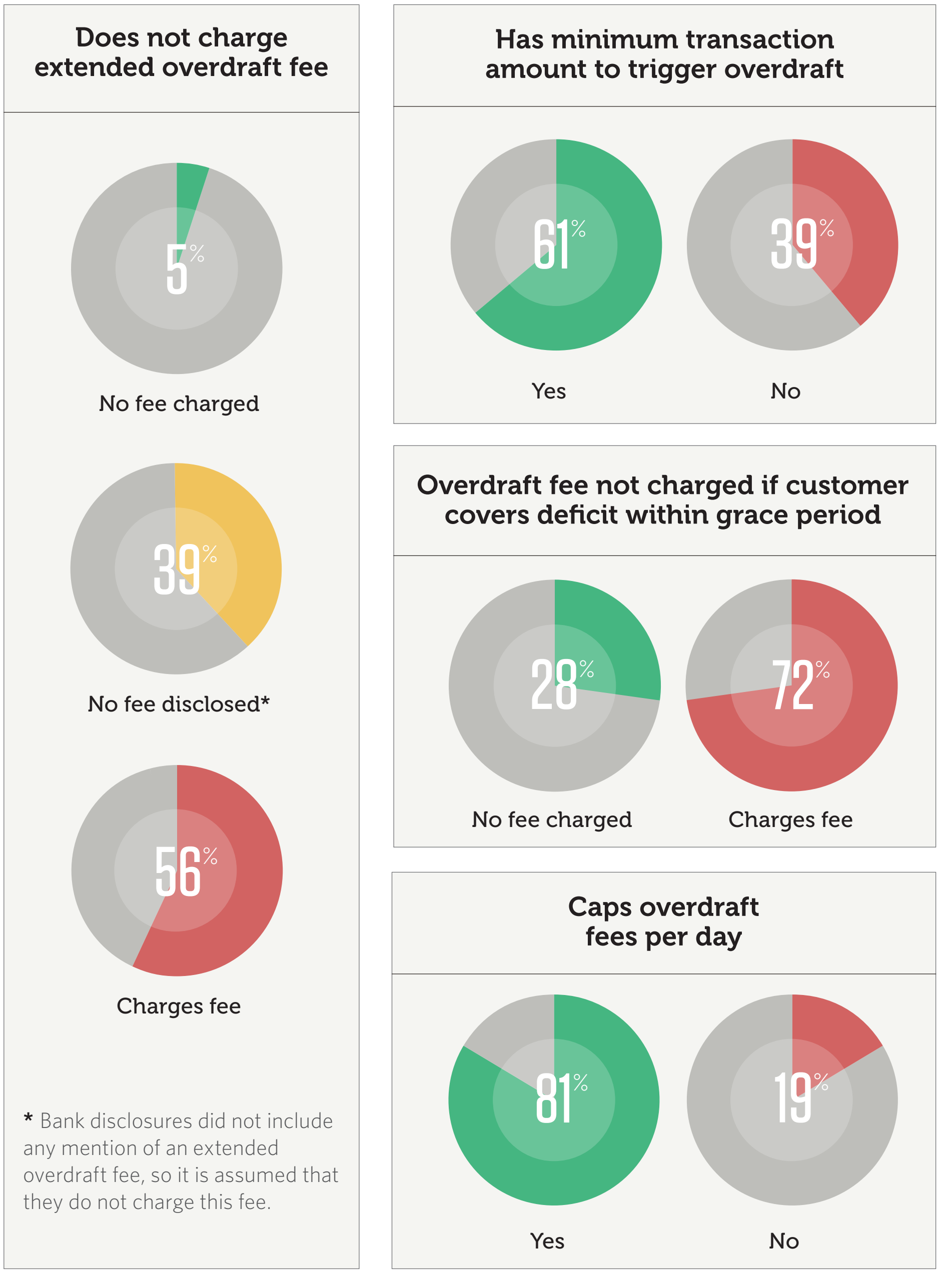
Overdraft good practices

Banks use a variety of methods that limit the assessment of overdraft fees. In Pew's most recent examination of the checking accounts offered by 36 of the 50 largest banks, 81 percent placed a cap on fees charged per day, the most common limitation, and 44 percent did not charge or disclose an extended overdraft penalty fee. Fifty-eight percent of banks included a minimum threshold transaction amount to trigger an overdraft, and 28 percent offered a grace period during which customers can avoid an overdraft fee if they cover the deficit within a certain span of time.
(See Figure 5.) Eleven percent of institutions in this study included none of these overdraft limitations, 25 percent included one, 19 percent included two, 31 percent had three, and 14 percent incorporated all four of these protective measures into their overdraft program.

Figure 5:

Bank practices for limiting overdraft fees

Percentage of banks engaged in practices that can reduce the incidence of overdrafts



Source: The Pew Charitable Trusts, 2013

These practices can reduce the incidence of overdrafts but are not as effective as those Pew has designated as a best practice. Banks that engaged in the policies below earned the designation of engaging in a good overdraft practice.

Limited highest-to-lowest dollar amount transaction reordering

These banks (listed by deposit volume) do not reorder all items high to low. While this practice is a helpful step in protecting consumers, a more effective policy ensures that they never unwittingly incur overdraft penalty fees because of bank transaction processing, and therefore is identified as a best practice. Those banks that do not reorder any transactions or do not charge for any overdrafts also qualified as engaging in this good practice.

JPMorgan Chase Bank
Citibank
Wells Fargo Bank
U.S. Bank
HSBC
BB&T
Fifth Third Bank
Charles Schwab Bank
Union Bank
USAA Federal Savings Bank
Comerica Bank
Bank of the West
Ally Bank
First Niagara Bank
First Republic Bank
City National Bank
Frost Bank
OneWest Bank
Associated Bank
Zions First National Bank
TCF National Bank
Signature Bank
Susquehanna Bank
Bank of Hawaii

Threshold amount to trigger an overdraft

The following banks (listed by deposit volume) set a threshold for overdrafts (either a minimum amount overdrawn per transaction or a minimum overdrawn at the end of the day, or they do not charge for any overdrafts). This policy ensures that a $3 cup of coffee will not ultimately cost $38 because the purchase overdraws the account and the $35 median overdraft penalty fee is charged.

JPMorgan Chase Bank
Wells Fargo Bank
U.S. Bank
PNC Bank
TD Bank
HSBC
BB&T
SunTrust Bank
Capital One Bank
Fifth Third Bank
Charles Schwab Bank
USAA Federal Savings Bank
Bank of the West
Ally Bank
City National Bank
Frost Bank
First Tennessee Bank
OneWest Bank
Zions First National Bank
Webster Bank
TCF National Bank
Bank of Hawaii

Grace period prior to charging overdraft fee

These banks (listed by deposit volume) disclose that they do not charge an overdraft fee if the customer covers the debit in a specified grace period, such as before the end of the day, or do not charge for any overdrafts. The grace period allows the customer to deposit additional funds into the checking account prior to the overdraft fee being charged.

Wells Fargo Bank
U.S. Bank
PNC Bank
HSBC
Capital One Bank
Fifth Third Bank
Charles Schwab Bank
Bank of the West
Webster Bank
Bank of Hawaii

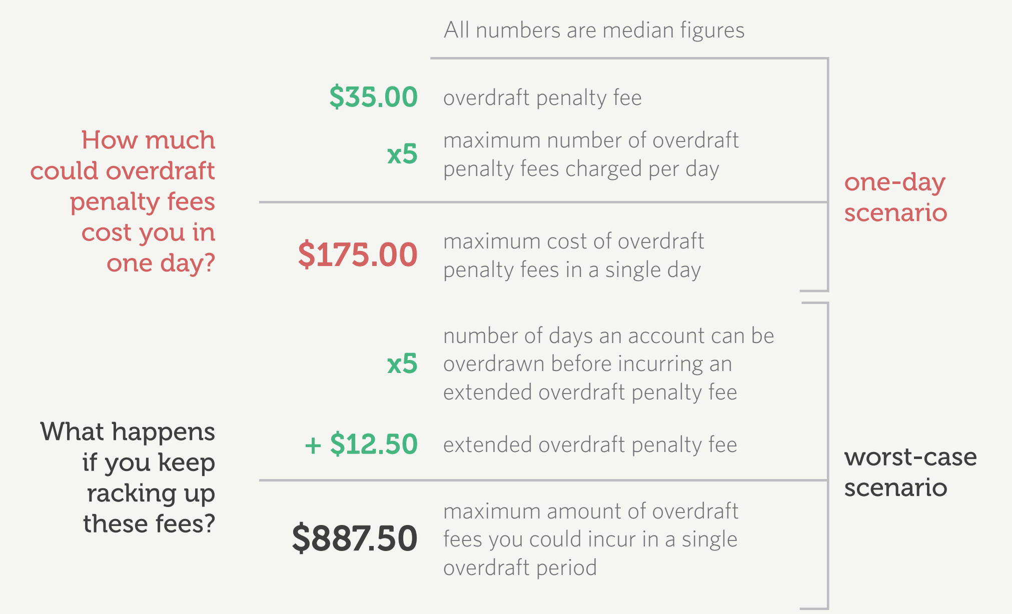
No 'extended' overdraft fee charged

Many banks charge an additional, "extended" fee if an overdraft and its attendant fee are not paid back within a certain number of days, thereby adding on even more fees. In fact, the data showed that under the worst-case scenario, a consumer could rack up nearly $900 in charges because of the way banks apply these fees. (See Figure 6.) The following banks (listed by deposit volume) state that they do not charge an extended overdraft fee or make no reference to an extended overdraft fee in their disclosures and are assumed not to charge it.

Citibank
Wells Fargo Bank
HSBC
BB&T
Capital One Bank
Fifth Third Bank
Charles Schwab Bank
USAA Federal Savings Bank
Ally Bank
First Niagara Bank
First Republic Bank
Frost Bank
Commerce Bank
OneWest Bank
TCF National Bank
Signature Bank

Figure 6:

Overdraft penalty fees—worst-case scenario



Source: The Pew Charitable Trusts, 2013

Limits on number of overdraft fees charged per day

Some banks have policies limiting the number of overdraft penalty fees a consumer can incur in a single day, which provides some protection against cascading overdraft fees. The following banks (listed by deposit volume) limit the number of overdraft fees charged per day or do not charge for any overdrafts. The median limit per day from the banks studied is five.

JPMorgan Chase Bank
Bank of America
Citibank
Wells Fargo Bank
U.S. Bank
PNC Bank
TD Bank
HSBC
BB&T
SunTrust Bank
Capital One Bank
Fifth Third Bank
Charles Schwab Bank
Union Bank
KeyBank
USAA Federal Savings Bank
Comerica Bank
Compass Bank
Bank of the West
Ally Bank
First Niagara Bank
City National Bank
Frost Bank
First Tennessee Bank
OneWest Bank
Zions First National Bank
Webster Bank
TCF National Bank
Bank of Hawaii

The figure on the next page summarizes Pew's findings with regard to bank overdraft practices. It ranks banks by the total number of best and good practices. Banks that received the same rating are listed alphabetically.

Figure 7:

Overview of bank overdraft best and good practices

Banks ordered by total number of best practices, total number of good practices, and, for the same rating, alphabetically

Overdraft										
Bank name	Best practices			Good practices					Total best practices out of 3	Total good practices out of 5
	No ATM overdrafts	No debit point-of-sale overdrafts	No highest to lowest dollar amount transaction reordering	Limited highest to lowest dollar amount transaction reordering	Threshold amount to trigger an overdraft	Grace period prior to charging an overdraft fee	No extended overdraft fee charged	Limits on number of overdraft fees charged per day		
Charles Schwab Bank	★	★	★	✓	✓	✓	✓	✓	★ = 3	✓ = 5
Ally Bank	★	★	★	✓	✓	(✓)	✓	✓	★ = 3	✓ = 4
OneWest Bank	★	★	★	✓	✓	(✓)	✓	✓	★ = 3	✓ = 4
USAA Federal Savings Bank	★	★	★	✓	✓	(✓)	✓	✓	★ = 3	✓ = 4
Citibank	★	★	★	✓	(✓)	(✓)	✓	✓	★ = 3	✓ = 3
City National Bank	★	★	★	✓	✓	(✓)	(✓)	✓	★ = 3	✓ = 3
First Republic Bank	★	★	★	✓	(✓)	(✓)	✓	(✓)	★ = 3	✓ = 2
HSBC	☆	☆	★	✓	✓	✓	✓	✓	★ = 1	✓ = 5
Bank of Hawaii	☆	☆	★	✓	✓	✓	(✓)	✓	★ = 1	✓ = 4
Bank of the West	☆	☆	★	✓	✓	✓	(✓)	✓	★ = 1	✓ = 4
BB&T	☆	☆	★	✓	✓	(✓)	✓	✓	★ = 1	✓ = 4
Frost Bank	☆	☆	★	✓	✓	(✓)	✓	✓	★ = 1	✓ = 4
U.S. Bank	☆	☆	★	✓	✓	✓	(✓)	✓	★ = 1	✓ = 4
Zions First National Bank	☆	☆	★	✓	✓	(✓)	(✓)	✓	★ = 1	✓ = 3
Signature Bank	☆	☆	★	✓	(✓)	(✓)	✓	(✓)	★ = 1	✓ = 2
Associated Bank	☆	☆	★	✓	(✓)	(✓)	(✓)	(✓)	★ = 1	✓ = 1
Bank of America	☆	★	☆	(✓)	(✓)	(✓)	(✓)	✓	★ = 1	✓ = 1
Susquehanna Bank	☆	☆	★	✓	(✓)	(✓)	(✓)	(✓)	★ = 1	✓ = 1
Fifth Third Bank	☆	☆	☆	✓	✓	✓	✓	✓	★ = 0	✓ = 5
Wells Fargo Bank	☆	☆	☆	✓	✓	✓	✓	✓	★ = 0	✓ = 5
Capital One Bank	☆	☆	☆	(✓)	✓	✓	✓	✓	★ = 0	✓ = 4
TCF National Bank	☆	☆	☆	✓	✓	(✓)	✓	✓	★ = 0	✓ = 4
First Niagara Bank	☆	☆	☆	✓	(✓)	(✓)	✓	✓	★ = 0	✓ = 3
JPMorgan Chase Bank	☆	☆	☆	✓	✓	(✓)	(✓)	✓	★ = 0	✓ = 3
PNC Bank	☆	☆	☆	(✓)	✓	✓	(✓)	✓	★ = 0	✓ = 3
Webster Bank	☆	☆	☆	(✓)	✓	✓	(✓)	✓	★ = 0	✓ = 3
Comerica Bank	☆	☆	☆	✓	(✓)	(✓)	(✓)	✓	★ = 0	✓ = 2
First Tennessee Bank	☆	☆	☆	(✓)	✓	(✓)	(✓)	✓	★ = 0	✓ = 2
SunTrust Bank	☆	☆	☆	(✓)	✓	(✓)	(✓)	✓	★ = 0	✓ = 2
TD Bank	☆	☆	☆	(✓)	✓	(✓)	(✓)	✓	★ = 0	✓ = 2
Union Bank	☆	☆	☆	✓	(✓)	(✓)	(✓)	✓	★ = 0	✓ = 2
Commerce Bank	☆	☆	☆	(✓)	(✓)	(✓)	✓	(✓)	★ = 0	✓ = 1
Compass Bank	☆	☆	☆	(✓)	(✓)	(✓)	(✓)	✓	★ = 0	✓ = 1
KeyBank	☆	☆	☆	(✓)	(✓)	(✓)	(✓)	✓	★ = 0	✓ = 1
RBS Citizens	☆	☆	☆	(✓)	(✓)	(✓)	(✓)	(✓)	★ = 0	✓ = 0
Sovereign Bank	☆	☆	☆	(✓)	(✓)	(✓)	(✓)	(✓)	★ = 0	✓ = 0

★ = Engages in this best practice ✓ = Engages in this good practice ☆ = Does not engage in this best practice (✓) = Does not engage in this good practice

Dispute resolution policies

Pew policy recommendations

The Consumer Financial Protection Bureau should:

- Prohibit predispute mandatory binding arbitration clauses in checking account agreements, which prevent accountholders from accessing courts to challenge unfair and deceptive practices or other legal violations, impairing individual rights and potentially allowing those violations to spread unchallenged by thorough legal or public scrutiny.
- Conduct its mandated study of arbitration agreements in a timely and thorough fashion. In the study, the bureau should assess whether loss, costs, and expenses clauses prevent consumers from obtaining relief.

Dispute resolution overview

In the 2012 report "Banking on Arbitration: Big Banks, Consumers, and Checking Account Dispute Resolution," Pew studied the prevalence of dispute resolution clauses in checking account disclosures from the 100 largest financial institutions and surveyed checking accountholders to determine their attitudes toward these practices.[14] The larger the financial institution, Pew found, the more likely an account agreement contains a clause requiring mandatory binding arbitration, and financial institutions that require arbitration are much more likely to ban class-action lawsuits. Almost 60 percent of the checking account agreements studied in "Banking on Arbitration" contained clauses whereby the consumer waived the right to a jury trial.

To learn about consumer attitudes, Pew commissioned a nationally representative survey of checking accountholders.[15] An overwhelming majority of respondents found many of the components of mandatory arbitration unacceptable. The survey also showed that respondents overwhelmingly wanted a choice between court and arbitration. Approximately half supported the goals of arbitration, such as protecting against frivolous lawsuits and being faster and cheaper than court, but at the same time they overwhelmingly found most of the components of the arbitration process unacceptable.

Specifically:

- 85 percent of respondents believed arbitrators should be required to have a law degree or legal training.
- 84 percent found arbitration unacceptable if the bank and the arbitration company have an existing financial relationship as a result of the bank providing repeat business to the arbitration company.
- 89 percent disliked that there is very limited judicial review of an arbitrator's decision, even in instances in which the arbitrator misapplied the law.
- 92 percent rated arbitration as unacceptable if consumers are required to pay the bank's legal fees even when the consumer wins the dispute.

In all, 88 percent of consumers found a majority of the procedural components of arbitration unacceptable, and more than half (56 percent) found all, or all but one, of those components unacceptable.

While there are certainly instances when arbitration can be fair, *mandatory* arbitration does not allow consumers *to voluntarily* choose the process *after* a dispute arises. Rather, consumers give up the ability to have their disputes heard in court. Allowing consumers to resolve a dispute either through arbitration or the courts lets them determine how they wish to proceed based on the issues involved in the dispute. This is especially important since consumers will be working to resolve a dispute with a party that has significant resources.

Moreover, banks reserve the right to change their account agreements at any time. For dispute resolution limitations, this means a financial institution can add an arbitration clause to its checking account agreement whenever it wishes, requiring consumers to either accept these new terms or close the account and choose a new bank.

Bank dispute resolution policies

Arbitration:
A private dispute resolution process in which a third-party decision-maker resolves disputes between opposing parties. The process is binding, with narrow opportunity for appeal.

Class-action waiver:
Clauses in account agreements that preclude the customer from joining with others to try to hold a financial institution accountable for injuries that may be small when brought individually but when brought in the aggregate amount to significant harm.

Jury trial waiver:
Clauses in account agreements that preclude the customer from having a dispute heard and resolved by a jury.

Loss, costs, and expenses clause:
An account agreement provision requiring consumers to pay their bank's costs should they pursue a dispute about their account, no matter the outcome of the case.

Small-claims exemption:
An account agreement provision allowing the customer to bring a complaint to small-claims court for resolution.

Arbitration best practices

For arbitration, best practices flow from Pew policy recommendations and previous research. Based on findings in "Banking on Arbitration," Pew recommends that mandatory arbitration clauses in checking account contracts should be prohibited. In this report, best practices are recognized as those bank policies that do not require mandatory binding arbitration (and prohibit taking a dispute to court) and that do not ban consumers from joining class-action lawsuits.

Pew also recognizes bank policies that do not include "loss, costs, and expenses" clauses as a best practice, since one of the policy recommendations states that these provisions may prevent consumers from obtaining relief. These clauses require a consumer to pay the bank's loss, costs, and expenses should the consumer pursue a claim, regardless of the outcome of the dispute.

Based on Pew research and policy recommendations, the following three best practices for overdraft service were identified.

No mandatory binding arbitration

The following banks (listed by deposit volume) do not include mandatory binding arbitration clauses in their checking account agreements:

Bank of America
PNC Bank
TD Bank
HSBC
Capital One Bank
Fifth Third Bank
RBS Citizens
Comerica Bank
Bank of the West
Ally Bank
First Republic Bank
Commerce Bank
Signature Bank
Susquehanna Bank
Bank of Hawaii

No class-action bans

The following banks (listed by deposit volume) do not prohibit consumers from joining a class-action lawsuit to pursue a dispute:

Bank of America
PNC Bank
TD Bank
HSBC
Capital One Bank
Fifth Third Bank
RBS Citizens
Charles Schwab Bank
Comerica Bank
Bank of the West
Ally Bank
First Republic Bank
Commerce Bank
Associated Bank
Signature Bank
Susquehanna Bank
Bank of Hawaii

No 'loss, costs, and expenses' clauses

The following banks (listed by deposit volume) do not include a clause in their account agreements requiring consumers to pay the bank's loss, costs, and expenses no matter the outcome of a dispute.

JPMorgan Chase Bank
Bank of America
Citibank
Wells Fargo Bank
TD Bank
BB&T
SunTrust Bank
RBS Citizens
Charles Schwab Bank
Union Bank
KeyBank
USAA Federal Savings Bank
Comerica Bank
Sovereign Bank
Compass Bank
Ally Bank
City National Bank
Commerce Bank
First Tennessee Bank
OneWest Bank
Associated Bank
Zions First National Bank
Webster Bank
TCF National Bank
Signature Bank
Bank of Hawaii

Arbitration good practices

Pew identified allowing consumers to opt out of arbitration, not requiring a jury waiver, and including a small-claims exemption as good practices that help consumers by mitigating the effects of mandatory arbitration, but they do not alleviate the core issue of requiring that consumers with a dispute enter arbitration as the best practices above do.

Opt-out option

In Pew findings about the prevalence of the types of dispute resolution clauses in checking account agreements, just over one-quarter of the 100 largest financial institutions were shown to allow customers to opt out of mandatory binding arbitration provisions. Pew reported in "Banking on Arbitration" that these institutions require the consumer to opt out within a median of 38 days from the date the account is opened, or the date the customer receives notice that his or her account agreement now includes arbitration, before being bound to arbitration as the sole means for resolving a dispute.

Unfortunately, Pew found that banks often bury this provision in the dense legal terminology of their account agreements, which the customer may not notice, and that this provision usually requires customers to notify the bank in writing if they desire to opt out.

In this review of the 36 largest banks, Pew found the following banks (listed by deposit volume) include an opt-out provision or do not require arbitration in their checking account agreements:

JPMorgan Chase Bank
Bank of America
PNC Bank
TD Bank
HSBC
SunTrust Bank
Capital One Bank
Fifth Third Bank
RBS Citizens
KeyBank
Comerica Bank
Sovereign Bank
Bank of the West
Ally Bank
First Niagara Bank
First Republic Bank
Commerce Bank
TCF National Bank
Signature Bank
Susquehanna Bank
Bank of Hawaii

No jury trial waiver

Any bank that requires mandatory binding arbitration by definition requires the consumer to waive his or her right to a jury trial. Other financial institutions may not require mandatory arbitration, but still require their customers to waive the right to a jury trial. The following banks (listed by deposit volume) have adopted the policy of not precluding access to a jury trial for their customers:

PNC Bank
RBS Citizens
Bank of the West
Ally Bank
First Republic Bank
Commerce Bank
Susquehanna Bank

Small-claims exemption

In "Banking on Arbitration," almost half of the banks studied allowed consumers to resolve a dispute in small-claims court even though they required arbitration. But only consumers who have claims for damages that are less than a specified dollar amount have access to this option. The following banks in their checking account agreements allow consumers to take a dispute to small-claims court (listed by deposit volume):

JPMorgan Chase Bank
Bank of America
Citibank
Wells Fargo Bank
U.S. Bank
PNC Bank
TD Bank
HSBC
BB&T
SunTrust Bank
Capital One Bank
Fifth Third Bank
RBS Citizens
Union Bank
USAA Federal Savings Bank
Comerica Bank
Sovereign Bank
Compass Bank
Bank of the West
Ally Bank
First Niagara Bank
First Republic Bank
City National Bank
Frost Bank
Commerce Bank
First Tennessee Bank
OneWest Bank
Webster Bank
TCF National Bank
Signature Bank
Susquehanna Bank
Bank of Hawaii

The figure on the next page summarizes Pew's findings with regard to dispute resolution policies. Pew has ranked banks by the total number of best and good practices. Banks that received the same rating are listed alphabetically.

Figure 8:

Overview of bank dispute resolution best and good practices

Banks ordered by total number of best practices, total number of good practices, and, for the same rating, alphabetically

Dispute resolution								
	Best practices			Good practices				
Bank name	No mandatory binding arbitration	No class action bans	No "loss, costs, and expenses" clauses	Opt-out option	No jury trial waiver	Small-claims exemption	Total best practices out of 3	Total good practices out of 3
Ally Bank	★	★	★	✔	✔	✔	★ = 3	✔ = 3
Commerce Bank	★	★	★	✔	✔	✔	★ = 3	✔ = 3
RBS Citizens	★	★	★	✔	✔	✔	★ = 3	✔ = 3
Bank of America	★	★	★	✔	✓	✔	★ = 3	✔ = 2
Bank of Hawaii	★	★	★	✔	✓	✔	★ = 3	✔ = 2
Comerica Bank	★	★	★	✔	✓	✔	★ = 3	✔ = 2
Signature Bank	★	★	★	✔	✓	✔	★ = 3	✔ = 2
TD Bank	★	★	★	✔	✓	✔	★ = 3	✔ = 2
Bank of the West	★	★	☆	✔	✔	✔	★ = 2	✔ = 3
First Republic Bank	★	★	☆	✔	✔	✔	★ = 2	✔ = 3
PNC Bank	★	★	☆	✔	✔	✔	★ = 2	✔ = 3
Susquehanna Bank	★	★	☆	✔	✔	✔	★ = 2	✔ = 3
Capital One Bank	★	★	☆	✔	✓	✔	★ = 2	✔ = 2
Fifth Third Bank	★	★	☆	✔	✓	✔	★ = 2	✔ = 2
HSBC	★	★	☆	✔	✓	✔	★ = 2	✔ = 2
Associated Bank	☆	★	★	✓	✓	✓	★ = 2	✔ = 0
Charles Schwab Bank	☆	★	★	✓	✓	✓	★ = 2	✔ = 0
JPMorgan Chase Bank	☆	☆	★	✔	✓	✔	★ = 1	✔ = 2
Sovereign Bank	☆	☆	★	✔	✓	✔	★ = 1	✔ = 2
SunTrust Bank	☆	☆	★	✔	✓	✔	★ = 1	✔ = 2
TCF National Bank	☆	☆	★	✔	✓	✔	★ = 1	✔ = 2
BB&T	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
Citibank	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
City National Bank	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
Compass Bank	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
First Tennessee Bank	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
KeyBank	☆	☆	★	✔	✓	✓	★ = 1	✔ = 1
OneWest Bank	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
Union Bank	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
USAA Federal Savings Bank	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
Webster Bank	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
Wells Fargo Bank	☆	☆	★	✓	✓	✔	★ = 1	✔ = 1
Zions First National Bank	☆	☆	★	✓	✓	✓	★ = 1	✔ = 0
First Niagara Bank	☆	☆	☆	✔	✓	✔	★ = 0	✔ = 2
Frost Bank	☆	☆	☆	✓	✓	✔	★ = 0	✔ = 1
U.S. Bank	☆	☆	☆	✓	✓	✔	★ = 0	✔ = 1

★ = Engages in this best practice ✔ = Engages in this good practice ☆ = Does not engage in this best practice ✓ = Does not engage in this good practice

Conclusion

In this report, Pew commends the banks that are engaged in what it considers to be best practices: These financial institutions provide information about their checking accounts in a concise and easy-to-understand way, they have taken steps to minimize overdrafts, and they do not require consumers to agree to dispute resolution procedures prior to a conflict arising. But it is important to note that banks can change their account agreements, and thereby their practices, at any time. In addition, no bank provided best practices or even good practices in every category.

Better clarity and transparency for checking accounts will make this market more competitive and, as a result, more efficient. The Consumer Financial Protection Bureau has the authority to require changes to this fundamental marketplace, so that all consumers will have access to banks serving their customers through best practices. Pew urges the bureau to take quick action to provide greater security for this important product.

Figure 9:

Overview of best and good practices

How the largest banks rated in disclosure, overdraft, and dispute resolution policies and practices, ordered first by total number of best practices and then total number of good practices, and, for the same rating, alphabetically

Bank name	Disclosure		Overdraft		Dispute resolution		Total best practices out of 7 and good practices out of 11
	Best practices	Good practices	Best practices	Good practices	Best practices	Good practices	
Ally Bank	☆	✓✓(✓)	★★★	✓✓✓✓(✓)	★★★	✓✓✓	★ = 6 ✓ = 9
Charles Schwab Bank	☆	✓✓✓	★★★	✓✓✓✓✓	★★☆	(✓)(✓)(✓)	★ = 5 ✓ = 8
First Republic Bank	☆	✓✓✓	★★★	✓✓(✓)(✓)(✓)	★★☆	✓✓✓	★ = 5 ✓ = 8
Citibank	★	✓✓✓	★★★	✓✓✓(✓)(✓)	★☆☆	✓(✓)(✓)	★ = 5 ✓ = 7
Bank of America	★	✓✓✓	★☆☆	✓(✓)(✓)(✓)(✓)	★★★	✓✓(✓)	★ = 5 ✓ = 6
Bank of Hawaii	☆	✓✓✓	★☆☆	✓✓✓✓(✓)	★★★	✓✓(✓)	★ = 4 ✓ = 9
City National Bank	☆	✓✓✓	★★★	✓✓✓(✓)(✓)	★☆☆	✓(✓)(✓)	★ = 4 ✓ = 7
TD Bank	★	✓✓✓	☆☆☆	✓✓(✓)(✓)(✓)	★★★	✓✓(✓)	★ = 4 ✓ = 7
OneWest Bank	☆	✓(✓)(✓)	★★★	✓✓✓✓(✓)	★☆☆	✓(✓)(✓)	★ = 4 ✓ = 6
USAA Federal Savings Bank	☆	✓(✓)(✓)	★★★	✓✓✓✓(✓)	★☆☆	✓(✓)(✓)	★ = 4 ✓ = 6
Signature Bank	☆	✓(✓)(✓)	★☆☆	✓✓(✓)(✓)(✓)	★★★	✓✓(✓)	★ = 4 ✓ = 5
Fifth Third Bank	★	✓✓✓	☆☆☆	✓✓✓✓✓	★★☆	✓✓(✓)	★ = 3 ✓ = 10
Bank of the West	☆	✓✓(✓)	★☆☆	✓✓✓✓(✓)	★★☆	✓✓✓	★ = 3 ✓ = 9
Capital One Bank	★	✓✓✓	☆☆☆	✓✓✓✓(✓)	★★☆	✓✓(✓)	★ = 3 ✓ = 9
HSBC	☆	✓(✓)(✓)	★☆☆	✓✓✓✓✓	★★☆	✓✓(✓)	★ = 3 ✓ = 8
Comerica Bank	☆	✓✓(✓)	☆☆☆	✓✓(✓)(✓)(✓)	★★★	✓✓(✓)	★ = 3 ✓ = 6
Commerce Bank	☆	✓✓(✓)	☆☆☆	✓(✓)(✓)(✓)(✓)	★★★	✓✓✓	★ = 3 ✓ = 6
Susquehanna Bank	☆	✓✓(✓)	★☆☆	✓(✓)(✓)(✓)(✓)	★★☆	✓✓✓	★ = 3 ✓ = 6
RBS Citizens	☆	✓✓(✓)	☆☆☆	(✓)(✓)(✓)(✓)(✓)	★★★	✓✓✓	★ = 3 ✓ = 5
Associated Bank	☆	✓✓(✓)	★☆☆	✓(✓)(✓)(✓)(✓)	★★☆	(✓)(✓)(✓)	★ = 3 ✓ = 3
Wells Fargo Bank	★	✓✓✓	☆☆☆	✓✓✓✓✓	★☆☆	✓(✓)(✓)	★ = 2 ✓ = 9
JPMorgan Chase Bank	★	✓✓✓	☆☆☆	✓✓✓(✓)(✓)	★☆☆	✓✓(✓)	★ = 2 ✓ = 8
PNC Bank	☆	✓✓(✓)	☆☆☆	✓✓✓(✓)(✓)	★★☆	✓✓✓	★ = 2 ✓ = 8
BB&T	☆	✓✓(✓)	★☆☆	✓✓✓✓(✓)	★☆☆	✓(✓)(✓)	★ = 2 ✓ = 7
Webster Bank	★	✓✓✓	☆☆☆	✓✓✓(✓)(✓)	★☆☆	✓(✓)(✓)	★ = 2 ✓ = 7
Zions First National Bank	☆	✓✓(✓)	★☆☆	✓✓✓(✓)(✓)	★☆☆	(✓)(✓)(✓)	★ = 2 ✓ = 5
TCF National Bank	☆	✓✓✓	☆☆☆	✓✓✓✓(✓)	★☆☆	✓✓(✓)	★ = 1 ✓ = 9
Frost Bank	☆	✓✓(✓)	★☆☆	✓✓✓✓(✓)	☆☆☆	✓(✓)(✓)	★ = 1 ✓ = 7
SunTrust Bank	☆	✓✓✓	☆☆☆	✓✓(✓)(✓)(✓)	★☆☆	✓✓(✓)	★ = 1 ✓ = 7
U.S. Bank	☆	✓✓(✓)	★☆☆	✓✓✓✓(✓)	☆☆☆	✓(✓)(✓)	★ = 1 ✓ = 7
Compass Bank	☆	✓✓(✓)	☆☆☆	✓(✓)(✓)(✓)(✓)	★☆☆	✓(✓)(✓)	★ = 1 ✓ = 4
First Tennessee Bank	☆	✓(✓)(✓)	☆☆☆	✓✓(✓)(✓)(✓)	★☆☆	✓(✓)(✓)	★ = 1 ✓ = 4
Sovereign Bank	☆	✓✓(✓)	☆☆☆	(✓)(✓)(✓)(✓)(✓)	★☆☆	✓✓(✓)	★ = 1 ✓ = 4
Union Bank	☆	✓(✓)(✓)	☆☆☆	✓✓(✓)(✓)(✓)	★☆☆	✓(✓)(✓)	★ = 1 ✓ = 4
KeyBank	☆	✓(✓)(✓)	☆☆☆	✓(✓)(✓)(✓)(✓)	★☆☆	✓(✓)(✓)	★ = 1 ✓ = 3
First Niagara Bank	☆	(✓)(✓)(✓)	☆☆☆	✓✓✓(✓)(✓)	☆☆☆	✓✓(✓)	★ = 0 ✓ = 5

★ = Engages in a best practice ✓ = Engages in a good practice ☆ = Does not engage in a best practice (✓) = Does not engage in a good practice

Methodology

Pew studied the 50 largest banks based on domestic deposit volume as tabulated in June 2012 by the Federal Deposit Insurance Corp. Subsidiaries of banks or banks that did not offer checking accounts were excluded from the final list. At each bank, the most basic checking account was chosen for analysis. The basic account was defined as the cheapest account that was available to all customers (not a specialty account for students, seniors, or the military) and one that was not online-only. For banks that have no physical branches, this last requirement was waived.

At Union Bank, the least expensive option was designed as an a la carte account, where customers could pay to add or subtract features such as a physical debit card or the ability to use out-of-network ATMs. Because the structure of this account was so variable, the next most economical account at this bank was used instead. When banks offered different accounts in different states, Pew examined accounts in the state where the bank held the plurality of its deposits by volume.

In October 2012, disclosure documents (disclosure box, fee schedule, account agreement, and screen shots of the checking home page and individual account Web pages) were collected. If information was not available online, Pew phoned individual branches to ask bank representatives to mail information.

Using these methods, Pew was able to obtain full documentation for 36 of the 50 largest banks. Banks that provided only some of their disclosures were omitted from the study. The methods for obtaining disclosures from all 50 banks are summarized in Figure 6.

Figure 10:

Data collection methods

Banks ordered by domestic deposit volume

Institution by deposit volume (1-25)	Disclosure acquisition method
JPMorgan Chase Bank	Available Online
Bank of America	Available Online
Citibank	Available Online
Wells Fargo Bank	Available Online
U.S. Bank	Available Online
PNC Bank	Available Online
TD Bank	Available Online
HSBC	Available Online
BB&T	Available Online
SunTrust Bank	Available Online
Capital One Bank	Available Online
Regions Bank	Information Not Provided
Fifth Third Bank	Available Online
RBS Citizens	Mailed
BMO Harris Bank	Information Not Provided
Charles Schwab Bank	Mailed
Union Bank	Available Online
KeyBank	Available Online
M&T Bank	Information Not Provided
USAA Federal Savings Bank	Available Online
Comerica Bank	Available Online
Sovereign Bank	Available Online
Compass Bank	Mailed
Huntington Bank	Information Not Provided
Bank of the West	Available Online

Institution by deposit volume (26-50)	Disclosure acquisition method
Ally Bank	Available Online
First Niagara Bank	Available Online
Hudson City Savings Bank	Information Not Provided
First Republic Bank	Available Online
New York Community Bank	Information Not Provided
Synovus Bank	Information Not Provided
People's United Bank	Information Not Provided
Banco Popular de Puerto Rico	Information Not Provided
City National Bank	Available Online
BOKF	Information Not Provided
First-Citizens Bank	Information Not Provided
East West Bank	Information Not Provided
Frost Bank	Available Online
Commerce Bank	Mailed
First Tennessee Bank	Available Online
OneWest Bank	Available Online
Associated Bank	Available Online
Zions First National Bank	Available Online
Webster Bank	Available Online
TCF National Bank	Available Online
Signature Bank	Mailed
Susquehanna Bank	Mailed
Firstmerit Bank	Information Not Provided
Bank of Hawaii	Available Online
Arvest Bank	Information Not Provided

Available Online
Mailed
Information Not Provided

The banks were rated based on Pew's policy recommendations as articulated in "Hidden Risks" and "Still Risky" in the areas of disclosure, overdraft, and dispute resolution policy.

In the category of disclosure, banks were recognized for clearly disclosing the policies included in Pew's model disclosure box, and bank policies or practices were not considered. Banks were judged to have clearly disclosed a fee or policy if the information was available from one of the following:

- On the bank's checking home page.
- On the Web page specific to the account.
- On the schedule of fees.
- In a disclosure box.

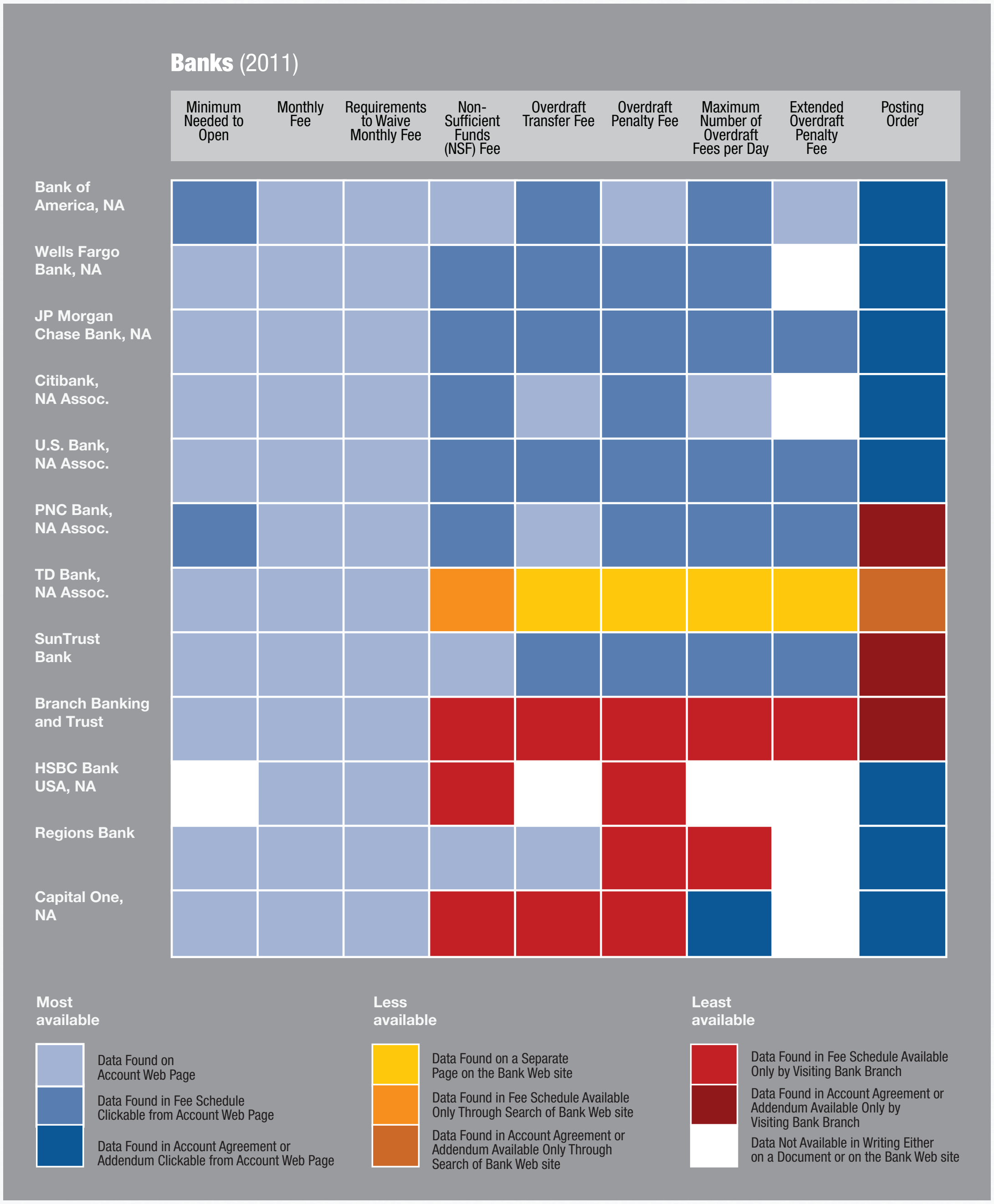
If this information was available only in the account agreement, it was not considered clearly disclosed. In addition, if a term was disclosed in a document that the bank referred to as its fee schedule, but was not in proximity to the actual schedule of fees contained inside that document, it was not considered clearly disclosed.

This is the same metric used to judge disclosure in "Still Risky" in a summary graphic on Page 8 of that report and also in Figure 11.

Figure 11:

Accessibility of Important Account Information - Banks

Where are the most important fees and policies commonly placed?



NOTE: The data here represent 237 checking accounts offered by the 12 largest American banks by domestic deposit volume as of June 30, 2011 (collectively holding 46 percent of domestic deposits at all FDIC-insured institutions) and 37 checking accounts offered by the 12 largest American credit unions by deposit volume as of June 30, 2011 (collectively holding 15 percent of deposits at all NCUSIF-insured institutions). Institutions are listed from top to bottom in order of deposit volume held. This table shows where each piece of important account information for consumers, as determined by Pew, was most accessibly located amongst the institutions' disclosure materials. See "III. Overdraft Fees," "IV. Processing of Deposits and Withdrawals," and "Appendix A" for an explanation of these fees and terms.

The basis for determining best and good practices for overdraft and dispute resolution practices is Pew's policy recommendations for checking accounts. Here, the banks were recognized according to what they do, so information from the account agreement and other supplemental documents is used to determine their policies.

The dispute resolution score recognizes banks that keep their customers' options open in the event of a dispute and do not use provisions such as loss, costs, and expenses clauses, which require consumers to pay their bank's expenses, whether or not they win the case, should they pursue a dispute. Pew recommends that the Consumer Financial Protection Bureau should prohibit predispute mandatory binding arbitration clauses in checking account agreements, which prevent accountholders from accessing courts to settle a conflict. In addition, Pew recommends that the bureau study these particular clauses to determine if they have a chilling effect by discouraging customers from trying to resolve a dispute in the first place.

Endnotes

1 Federal Deposit Insurance Corp., "Model Safe Accounts Pilot," http://www.fdic.gov/consumers/template/.

2 Pew Health Group, *Slipping Behind: Low-Income Los Angeles Households Drift Further From the Financial Mainstream*, October 2011, http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Safe_Banking_Opportunities_Project/Slipping%20Behind.pdf.

3 Pew Charitable Trusts, *Hidden Risks: The Case for Safe and Transparent Checking Accounts*, April 2011, http://www.pewstates.org/uploadedFiles/PCS_Assets/2011/SafeChecking_Pew_Report_HiddenRisks.pdf.

4 Pew Charitable Trusts, *Still Risky: An Update on the Safety and Transparency of Checking Accounts*, June 2012, http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/Pew_Safe_Checking_Still_Risky.pdf.

5 Pew Charitable Trusts, *Hidden Risks: The Case for Safe and Transparent Checking Accounts* and Pew Charitable Trusts, *Still Risky: An Update on the Safety and Transparency of Checking Accounts*.

6 Federal Deposit Insurance Corp., "The 2011 National Survey of Unbanked and Underbanked Households," September 2012, http://economicinclusion.gov/surveys/2011household.

7 Pew Health Group, *Slipping Behind: Low-Income Los Angeles Households Drift Further from the Financial Mainstream*, and Dennis Campbell, Asis Martinez Jerez, and Peter Tufano, *Bouncing Out of the Banking System: An Empirical Analysis of Involuntary Bank Account Closures*, June 6, 2008, http://www.bostonfed.org/economic/cprc/conferences/2008/payment-choice/papers/campbell_jerez_tufano.pdf. See also Michael S. Barr, *No Slack: The Financial Lives of Low-Income Americans* (Washington: Brookings Institution Press, 2012). Barr looks at the Detroit Area Household Financial Services study, which found that, among those surveyed who formerly had a bank account, 70 percent chose to close the account themselves, citing moving, worrying about bouncing checks, and excessive fees as their reasons for closing the account. The remaining 30 percent reported that their bank closed their account, the primary reasons being bounced checks and overdrafts.

8 The following financial institutions have worked with Pew to develop and publish a summary disclosure box: Bank of America, Cape Cod Five Cents Savings Bank, Capital One Bank, JPMorgan Chase Bank, Citibank, Eastman Credit Union, Fifth Third Bank, Inland Bank, North Carolina State Employees' Credit Union, Pentagon Federal Credit Union, Suncoast Schools Federal Credit Union, SunTrust Bank, TD Bank, Town and Country Bank, University of Illinois Employees Credit Union, UW Credit Union, Webster Bank, and Wells Fargo Bank.

9 Since the collection of data for this report in October 2012, SunTrust Bank worked with Pew to develop and publish a disclosure box. Bank of Hawaii, HSBC, PNC Bank, and TCF National Bank also have published disclosure boxes that meet Pew's criteria for clear and effective disclosure.

10 Pew Charitable Trusts, *Overdraft America: Confusion and Concern About Bank Practices*, May 2012, http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/SC-IB-Overdraft%20America(1).pdf.

11 Pew Charitable Trusts, *Overdraft America: Confusion and Concern About Bank Practices.*

12 Notice and request for information, "Impacts of Overdraft Programs on Consumers," 77 Fed. Reg. 12031 (Feb. 28, 2012).

13 Pew considered Ally Bank as not reordering transactions from high to low since the bank charges one $9 fee per day for overdrafts, which negates the effects of high-to-low dollar amount reordering.

14 Pew Charitable Trusts, *Banking on Arbitration: Big Banks, Consumers, and Checking Account Dispute Resolution*, November 2012, http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/Pew_arbitration_report.pdf.

15 Pew commissioned Hart Research Associates and McLaughlin & Associates to collaboratively conduct a survey of checking accountholders. Interviews were conducted July 9-11, 2012, among 603 respondents age 18 and older. The margin of error for total qualified respondents is +/- 4 percentage points at the 95 percent confidence level.

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