



SAFE CHECKING IN THE ELECTRONIC AGE

CONSUMERS NEED A SIMPLE, EASY-TO-READ DISCLOSURE BOX FOR CHECKING ACCOUNTS

In April 2011, the Pew Health Group's Safe Checking in the Electronic Age Project released [*Hidden Risks: The Case for Safe and Transparent Checking Accounts*](#). This report examined the terms and conditions of over 250 distinct checking accounts offered online by the 10 largest banks in the United States as of October 2010. At that time, these banks held nearly 60 percent of all deposit volume nationwide.

Pew's Finding: Banks do not provide important policies and fee information in a concise and easy-to-understand format that allows customers to compare account terms and conditions among institutions. The median length of bank disclosures for key checking account policies and fee information is 111 pages.

Pew's Policy Recommendation: Policy makers should require depository institutions to provide information about checking account terms, conditions and fees in a concise, easy-to-read format similar to the disclosure box used for credit cards.

According to a Pew-commissioned poll of U.S. checking accountholders conducted in July 2011, when asked their opinion on requiring banks to provide a one-page summary of information about checking accounts' terms, conditions and fees¹

- 78 percent of all American checking accountholders say this would be a positive change, while only 4 percent say this would be a negative change.
- 86 percent of Democrats, 74 percent of those who identify as independents, 73 percent of Republicans and 69 percent of those who identify with the Tea Party say this would be a positive change, while only 2 percent of Democrats, 4 percent of independents, 4 percent of Republicans and 7 percent of Tea Partiers say this would be a negative change.
- 75 percent of those who say they have a very good understanding of the terms, conditions and fees associated with their checking account say this would be a positive change, while only 4 percent say this would be a negative change.

KEY FOCUS GROUP FINDINGS ON CHECKING ACCOUNT DISCLOSURE BOX

The Pew Health Group conducted focus groups to test consumer reaction to our proposed checking account disclosure box.² In each location, Pew heard from two groups of consumers who had opened a checking account within the past two years: one with parents who had assisted a young adult child and one with adults, age 21–35.

Across all groups, participants were quite positive about the disclosure box. They described the information in the box as “comprehensive” and “clear” and felt that a concise, easy-to-understand disclosure document would be useful and valuable when opening a checking account.

KEY FINDINGS:

- Bank-provided information is lengthy and goes unread.
 - Some participants, particularly young adults (or parents speaking about the experiences of their adult children), described being “surprised” by fees due to a lack of awareness and/or understanding of the terms and conditions of their checking accounts.
- A simple and convenient reference is wanted.
 - Participants thought that it was important for accountholders to understand checking account fees and policies. They wanted to know about any and all fees that a bank might charge them—e.g., “If it’s going to cost me money, I want to know about it.”
- The disclosure box could be used as a financial safeguard.
 - Across groups, the box was seen as providing information that might help individuals avoid fees, penalties, and personal financial errors—e.g., “It’s knowledge first of what you are doing so you don’t mess your account up.”
- The disclosure box would be a tool for education, research and reference.
 - Both parent and young adult participants envisioned using disclosure box information to educate themselves about their banks’ checking account fees, particularly at the time of opening an account. Parents also saw the box as a tool that could educate their children, as new accountholders, about checking accounts.
 - Many thought the disclosure box would be useful if they wanted to investigate a bank and/or compare multiple banks on the basis of fees. A few said that, in retrospect, they wished they had investigated fees more closely before choosing their current bank. As a Philadelphia young adult said, “I wouldn’t have ever opened up an account with the bank I have now because of all of these little hidden fees that they have that I don’t even know about.”

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		<i>Minimum combined account balance, direct deposit or other conditions</i>
	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
	Option C: Overdraft Penalty	Overdraft Penalty Fee	\$ per overdraft covered by bank advance
		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	
Processing Policies	Posting Order <i>The order in which withdrawals and deposits are processed</i>		<i>Summary of policy</i>
	Deposit Hold Policy <i>When funds deposited to your account are available</i>	<ul style="list-style-type: none"> • Cash deposit with teller: X business day • Cash deposit at ATM: X business day • Check deposit with teller: Y business day • Check deposit at ATM: Y 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 of the deposit or the next business day. • Funds from non-bank checks may take an extra business day to become available. 	<i>A "business day" is a non-holiday weekday. The end of a business day varies by branch, but it is no earlier than T p.m.</i>
Dispute Resolution	Dispute Resolution Agreement		<i>Summary of agreement</i>

ENDNOTES

1. Polling data are from a Pew-commissioned national survey of 805 checking accountholders conducted July 5–10, 2011, by Hart Research Associates (D) and McLaughlin & Associates (R).
2. Information taken from “Pew Charitable Trusts Checking Account Disclosure Box Evaluation Focus Groups, Summary Report,” Alan Newman Research, Apr. 29, 2011.