

Student Checking Accounts: Are They Worth It?

In its recent report, *Still Risky: An Update on the Safety and Transparency of Checking Accounts*, the Pew Safe Checking in the Electronic Age Project examined checking accounts offered by the 12 largest U.S. banks and 12 largest credit unions.¹

Of these 24 financial institutions, 14 (eight banks and six credit unions) offer accounts explicitly marketed to high school students, college students, and/or teenagers. Pew researchers compared the fees and terms of these “student accounts” to those of the most basic checking accounts offered at these institutions.²

Overall, there is little difference between student accounts and basic accounts. However, there are a few notable areas

of variation that tend to make student checking accounts less expensive than the comparable basic checking account for customers pursuing an education.

Student account monthly fees usually cost less than those for basic accounts

Eight financial institutions (seven banks and one credit union) have monthly fees for student accounts that are less expensive than those of comparable basic accounts. Five of these banks and the credit union have no monthly fee for their student accounts, as compared to monthly fees ranging from \$2.00 to \$12.00 for basic accounts.

Four credit unions have student accounts with monthly fees that are the same as those for comparable basic accounts. At three of these institutions, there is no monthly fee for either student or basic accounts.

For the remaining bank, depending on the state in which the account is opened, its student account monthly fee is either the same as or less than the monthly fee of the basic account. For the remaining credit union offering a student account, depending on which type of student account the





NOTE: At one bank, the student account is \$8.95 cheaper than two of the basic accounts, but equal in cost to a third basic account. At one credit union that offers two types of student accounts, one is \$6.00 more expensive than the basic account, and the other is equal in cost to the basic account. As a result, these institutions are therefore counted twice, once each in the appropriate categories above.

customer chooses, the monthly fee is either the same as or more expensive than the comparable basic account's monthly fee.

Student accounts may include paper statement fees

Pew's data suggest that some financial institutions are encouraging students to bank electronically and rely less on paper statements. Three financial institutions charge student account holders a fee ranging from \$2.00 to \$3.00 per month for receiving paper statements. Such a fee is not charged to customers with non-student bank accounts. Student account holders can avoid the fee if they choose to receive e-statements instead of paper statements.³

In addition, one of the other banks Pew studied in *Still Risky* does not offer an account specifically for students, but encourages college students to sign up for an online-only account. That account's \$8.95 monthly fee is waived as long as the customer opts for e-statements and does not visit any physical branches of the bank.⁴

ATM fee waivers

Occasionally, banks and credit unions provide student account holders limited waivers of certain service fees. A common waiver relates to ATM use. At three banks, the fees associated with using another institution's ATM are partially waived for student account holders. These customers are entitled to two to four free non-proprietary ATM transactions per

statement cycle. After using these waivers, student customers pay the normal fee – ranging from \$2.00 to \$2.50 – for each out-of-network ATM withdrawal. One additional bank never charged student accountholders a fee for getting cash from an out-of-network ATM.

Overdraft fee waivers

Nine of the 14 financial institutions that offer student accounts charge a blanket overdraft penalty fee to all their accountholders, students and non-students alike. Four of the institutions, however, waive or discount these fees for student accounts.⁵ One bank refunds a single overdraft penalty fee per academic year for its student customers. Another refunds this fee once during the life of the account. One credit union does not allow student accountholders to overdraw their accounts

under an overdraft penalty plan. Only one bank gives a discount on its overdraft penalty fee to customers with its “Teen Checking” account (\$15.00 instead of \$35.00 per overdraft).

Recommendations

Given the wide range of checking account options and fee waivers provided to students, more transparent disclosures are particularly relevant to allowing students to comparison shop. Financial institutions should lay out in a simple, clear format the fees, terms, and conditions of each type of account so that students can easily choose the account that is most appropriate for them. Pew has developed a model disclosure box that banks and credit unions can use to provide transparency to checking account offerings. See Pew’s model at www.pewtrusts.org/safechecking.

ENDNOTES

1 These institutions held nearly 44 percent of the nation’s insured deposits as of June 2011. “Insured deposits” refers to the sum of all FDIC insured banks’ domestic deposits and all NCUSIF insured credit unions’ shares and deposits.

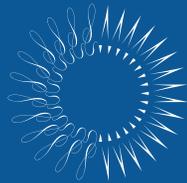
2 For the purposes of this fact sheet, Pew defined a financial institution’s “basic account” as the account that: a) has the lowest monthly fee of all accounts at the institution, b) is available in all, or the widest possible number of, markets in which the institution maintains a presence, c) is not targeted towards another demographic category (such as seniors or active duty military), and d) is not an online-only account.

3 E-statements are monthly account statements made available to customers either via email or through their bank or credit union’s website, instead of as a mailed paper document.

4 The monthly fee reported here, \$8.95, is the most common monthly fee charged for this account. In several states where this account was available, the fee varies from this norm and a charge of \$9.00 or \$12.00 is levied.

5 A bank or credit union charges an overdraft penalty fee when it extends an advance to cover a transaction that would otherwise overdraw a customer’s checking account.

At one additional institution, it is unclear whether or not an overdraft penalty plan is offered. This ambiguity applies equally to that institution’s basic accounts and student accounts, however.



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