Trapped at the Bank:

Removing Obstacles To Consumer Choice In Banking

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INTRODUCTION

In response to a volatile economy, taxpayer-funded bailouts, and new bank policies that increase the cost of basic bank accounts, more and more consumers have threatened to leave big banks in search of a better deal. But despite mass protests, widespread media coverage of bad bank practices and organized efforts like the "Move Your Money" movement, the bulk of consumers have stayed put, in many cases because of a perception that moving one's money is a hassle.

Consumers Union set out to identify the bank policies that may contribute to a consumer's decision to stay with his or her current financial institution, despite dissatisfaction. We conducted secret shopper investigations, solicited consumer stories, reviewed bank disclosures, contacted public relations representatives, and called customer service representatives at the ten largest retail banks in the U.S. to determine whether switching bank accounts at these institutions is truly a hassle, and if so, why.

We found that indeed it can be a hassle to move one's money – because, simply put, it takes time and money to move your money. The process takes several steps and banks don't always make it clear how to close accounts. Consumers face many obstacles, such as: the transfer of automatic deposits and debits from the old account to the new account; wait times while automatic deposit and debit transfers are processed; fees for closing accounts or for certain methods of receiving or transferring remaining balances; risk of old accounts reopening; and inadequate information about bank account closing policies.

This paper details the obstacles to switching banks and discusses how the international community is attempting to tackle similar problems to increase competition in their countries. Consumers Union offers the following policy recommendations for enhancing competition and consumer choice in the market for U.S. bank accounts:

- Banks should bear the responsibility for transferring the automatic credits and debits from old to new accounts.
- Banks should provide same-day electronic fund transfers at no cost to consumers.
- Checkhold times should be reduced so that consumers can quickly access deposits in their new accounts.

- There should be no punitive fees to close an account.
- Banks should not reopen accounts after consumers close them.
- Account closing procedures must be disclosed and easy to locate and understand.
- Bank regulators should examine the feasibility of bank account number portability.

BACKGROUND

In the fall of 2008, the U.S. economy was on the brink of collapse. To stem the crisis, the U.S. government arranged a taxpayer-funded bailout of the biggest banks and other financial companies deemed systemically important to the economy – or to use a now-common phrase, "too big to fail."[1] Amid the turmoil, a wave of bank failures and acquisitions swept the industry, leading to a concentration of large assets in the hands of a few companies. After the 2008 financial crisis, several of the "too big to fail" institutions receiving federal aid also acquired other failing institutions, making them even larger.[2] At the same time, most of the banks that failed were smaller banks – in 2010 and 2011, nearly all of the banks that failed held less than $5 billion in assets.[3] Today, just five banks control 52% of all financial industry assets,[4] and the ten largest retail banks hold just under 43% of all consumer deposits.[5]

Amid the bailouts and acquisitions, more information came to light regarding the profits the big banks had reaped from consumers, thanks to complicated products, deceptive practices, high fees, and more. Consumer advocates called upon the government to take action on behalf of consumers, not just banks, while the economy struggled to recover.[6]

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[1] Emergency Economic Stabilization Act of 2008, Pub L. No. 110-343, 122 Stat. 3765 (2008).

[2] FED. RES. BANK OF DALLAS, CHOOSING THE ROAD TO PROSPERITY: WHY WE MUST END TOO BIG TO FAIL NOW 12 (2012), *available at* http://dallasfed.org/assets/documents/fed/annual/2011/ar11.pdf. For example, in 2008 JPMorgan Chase acquired Bear Stearns and Washington Mutual, while Wells Fargo acquired Wachovia and Bank of America acquired Countrywide. *See id.* at 9; Dawn Kopecki, *Dimon Beset by Bad Loans as JP Morgan Pushes Overseas*, BLOOMBERG, Nov. 2, 2010, *available at* http://www.bloomberg.com/news/2010-11-02/dimon-beset-by-75-billion-in-bad-wamu-loans-as-jpmorgan-pushes-overseas.html (referencing Chase acquisitions); David Enrich & Dan Fitzpatrick, *Wachovia Chooses Wells Fargo, Spurns Citi*, WALL ST. J., Oct. 4, 2008, *available* at http://online.wsj.com/article/SB122303190029501925.html (referencing Wells Fargo acquisition of Wachovia); Dan Fitzpatrick, *Bank of America Haunted by Countrywide Deal*, WALL. ST. J., June 30, 2011, *available at* http://online.wsj.com/article/SB10001424052702304450604576415370910097078.html (referencing Bank of America acquisition of Countrywide).

[3] FED. RES. BANK OF DALLAS, *supra* note 2, at 9.

[4] *Id.* at 6.

[5] This percentage was calculated using data on deposits held at the largest banks by asset size as of June 30, 2011. *See* Fed. Deposit Ins. Corp., Summary of Deposits: Summary Tables Reports, http://www2.fdic.gov/sod/index.asp (click on "Summary Tables" tap near top of page; click link to "top 50 Commercial Banks and Savings Institutions by Asset Size" for individual bank data; clink on link to "Asset Size" for national total deposits).

[6] *See, e.g.,*. Letter from Consumers Union to Senators Chris Dodd and Richard Shelby (Mar. 13, 2010), *available at* http://defendyourdollars.org/document/cu_letter_to_senate_banking_in_support_of_cfpa (urging support of provisions in financial reform legislation creating consumer financial protection agency); Letter from Americans for Financial Reform to Senator Chris Dodd (Feb. 2, 2010), *available at* http://defendyourdollars.org/document/letter_to_dodd_from_americans_for_financial_reform (urging passage of comprehensive financial reform legislation).

Congress responded in 2009 by passing credit card reform legislation[7] and in 2010 by passing a landmark overhaul of the entire financial system - the Dodd-Frank Wall Street Reform and Consumer Protection Act.[8] This Act sought to rein in the worst practices in the financial services industry, in part by creating the Consumer Financial Protection Bureau (CFPB), the primary mission of which is to protect consumers from harmful financial practices.

Despite regulatory changes, banks have continued to find new ways to squeeze consumers with abusive practices not addressed by recent reform efforts.

Despite regulatory changes, banks have continued to find new ways to squeeze consumers with abusive practices not addressed by recent reform efforts. These include practices such as: reordering debit transactions to maximize overdraft fees; offering advances on direct-deposited paychecks or benefits for a hefty fee, also known as a "direct deposit advance," which functions essentially like a payday loan;[9] introducing new fees and increasing old ones; and raising minimum balance requirements to make it harder to avoid monthly maintenance fees.

In the fall of 2011, consumer outrage over risky and abusive bank practices hit a fever pitch, as Bank of America announced plans to charge customers $5 per month to use their debit cards for purchases.[10] The public outcry was widespread and immediate. Consumers Union and other advocates called resoundingly upon Bank of America to drop the fee.[11] Within a matter of weeks, the bank relented and confirmed that it would not go through with its plan.[12]

While the $5 debit card fee proposal flopped, it is unlikely to be the last one, as fundamental shifts in the banking industry have altered the big banks' business models.[13] As big banks have consolidated and grown into megabanks, they have exceeded their

[7] Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act), Pub. L. No. 111-24, 123 Stat. 1374 (2009).

[8] Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

[9] A number of big banks offer this product, including US Bank and Wells Fargo. *See* Maya Jackson Randall & Alan Zibel, *Banks' Direct-Deposit Advances Spark Lending Debate*, WALL ST. J., Aug. 13, 2011, *available at* http://online.wsj.com/article/SB10001424053111904006104576502793158420916.html.

[10] Ylan Q. Mui, *Bank of America to add $5 monthly debit card fee as era of low-cost banking ebbs*, WASH. POST, Sept. 29, 2011, *available at* http://www.washingtonpost.com/business/economy/bank-of-america-to-add-5-monthly-debit-card-fee-as-era-of-low-cost-banking-ebbs/2011/09/29/gIQAzyhL8K_story.html.

[11] Letter from Consumers Union to Brian Moynihan, CEO, Bank of America (Oct. 17, 2011), *available at* http://www.consumersunion.org/pdf/BankOfAmericaBMoynihan.pdf.

[12] Press Release, Consumers Union, Bank of America Ends Debit Card Fee Plans Following Consumer Backlash (Nov. 1, 2011), *available at* http://defendyourdollars.org/press_release/boa_ends_debit_card_fee_plans_following_consumer_backlash.

[13] Martha C. White, *Et tu, Citi? Bank Raises Balance Requirements and Fees*, TIME, Oct. 5, 2011, *available at* http://moneyland.time.com/2011/10/05/citi-raises-balance-requirements-fees-on-accounts/#ixzz1sKRK2HkY.

Consumers have reacted with strong disfavor to big banks' ever-changing practices and attempts to make more money off of consumers in fees**.**

economies of scale.[14] As a result, their focus on traditional banking practices has gradually given way to a business model that relies heavily on generating fee revenue.[15]

Big banks are also looking to increase revenue by building stronger relationships with their existing high-balance customers through the use of cross-selling and reward incentives.[16] JPMorgan Chase has publicly stated that affluent customers – those with more than $100,000 in deposits and investments – are where the bank wants to focus its energy, because customers with less than that are not profitable.[17] In fact, one Chase executive said he would "celebrate" regular checking account fees as high as $20 a month.[18] Chase is not alone. Bank of America's Chief Accounting Officer, Neil Cotty, told analysts in April 2012, "Customers will have a choice, bringing more relationships to us or paying a maintenance fee."[19] Wells Fargo and other banks have made similar efforts to force customers to choose between paying higher fees or giving the banks more of their business.[20]

Consumers have reacted with strong disfavor to big banks' ever-changing practices and attempts to make more money off of consumers in fees. Several popular movements, such as the ongoing Move Your Money Project[21] and November 2011's Bank Transfer Day,[22] have encouraged people to bank with smaller institutions. Observers note that these movements reflect a common concern that the "too big to fail" banks, larger and more powerful than ever, do not seem to consider themselves accountable to the public. As Congressman Brad Miller put it:

> "I think the public is reacting to a sense of entitlement by the biggest banks — that they are entitled to whatever fees they charge, and if they get in trouble, they're entitled to have the government rescue them."[23]

Growing numbers of consumers have considered leaving the big banks behind. About 30% of U.S. consumers surveyed by Research Intelligence Group just after Bank of

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[14] *See Take on Your Bank*, CONSUMER REPORTS, Feb. 2012, at 18 (quoting Greg McBride, Bankrate.com, who estimates that banks with $50 billion or more in assets have exceeded their optimal efficiency level).

[15] *See id.*

[16] David Scheer, *JPMorgan Sees Clients with Less than $100,000 Unprofitable*, BLOOMBERG BUSINESSWEEK, Feb. 28, 2012, *available at* http://news.businessweek.com/article.asp?documentKey=1377-auNakdFIb5wk-6MS9V2SIKH4FDO538I57QC7ORT.

[17] *Id.*

[18] *Id.*

[19] Robin Sidel & Dan Fitzpatrick, *End Is Seen to Free Checking*, WALL ST. J., June 16, 2010, *available at* http://online.wsj.com/article/SB10001424052748703513604575311093932315142.html.

[20] Dan Fitzpatrick & David Enrich, *Big Banks Weigh Fee Revamp*, WALL ST. J, Mar. 1, 2012, *available at* http://online.wsj.com/article/SB10001424052970204571404577253742237347180.html.

[21] Move Your Money Project, Success Stories, http://moveyourmoneyproject.org/success-stories.

[22] Bank Transfer Day, http://www.facebook.com/Nov.Fifth.

[23] Jim Puzzanghera, *BofA Debit Card Fee Prompts Animosity From Coast to Coast*, L.A. TIMES, Oct. 7, 2011, *available at* http://articles.latimes.com/2011/oct/07/business/la-fi-bofa-fees-20111008.

Growing numbers of consumers have considered leaving the big banks behind . . . However, according to the New York Times, only one in fourteen Americans actually did switch banks at the end of 2011.

America's $5 debit fee proposal said that they would close their accounts if their banks imposed a fee for using a debit card.[24] According to a November 2011 survey of customers at the top ten banks by consulting firm cg42, one in five customers actively considered switching.[25] However, according to the New York Times, only one in fourteen Americans actually did switch banks at the end of 2011.[26]

So why aren't more people switching? The cg42 study showed that 59% of big bank customers think it is "too much of a hassle" to switch banks.[27] In order to determine exactly what makes switching such a "hassle," Consumers Union examined the account polices and practices for the ten largest retail banks: Bank of America, BB&T, Chase, Citibank, HSBC, PNC, SunTrust, TD Bank, US Bank and Wells Fargo.[28]

We set out to determine bank policies on account closing, to quantify the fees associated with closing an account, and to identify bank practices that might dissuade customers from switching. In Fall 2011, we sent 16 secret shoppers into branches around the country to ask how to close an account. From January through March 2012, we reviewed online fee schedules and account disclosures, tracked news developments, and collected consumer stories.[29] Then, in late March 2012, we asked the banks' public relations departments to explain their banks' polices and procedures. Based on this research, we concluded that consumer concerns about the "hassles" of switching are well-founded. As a result, we have identified a set of recommendations that would reduce the common obstacles to switching bank accounts and promote more competition in the marketplace.

THE OBSTACLES TO SWITCHING

When a consumer decides to end a banking relationship, the first thing the consumer usually does is to choose another financial institution and open an account there, which can take a few days or up to two weeks.[30] Next, the consumer must transfer any and all direct deposits and automatic payments (usually processed via Automated Clearing

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[24] Elizabeth Ody, *Consumers to Switch Banks Over Debit Fees*, BLOOMBERG BUSINESSWEEK, Oct. 19, 2011, *available at* http://www.bloomberg.com/news/2011-10-19/consumers-say-they-ll-switch-banks-over-debit-fees-study-finds.html.

[25] CG42, 2011 RETAIL BANKING BRAND VULNERABILITY STUDY 10 (2011), *available at* http://www.cg42.com/42/cg42___2011_Retail_Banking_BVS___Full_Report_Download_files/2011%20Retail%20Banking%20Brand%20Vulnerability%20Study%20by%20cg42.pdf.

[26] Felix Salmon, *Higher Fees? Let's Celebrate*, N.Y. TIMES, Mar. 10, 2012, *available at* http://www.nytimes.com/2012/03/11/opinion/sunday/higher-bank-fees-are-a-good-sign.html.

[27] CG42, *supra* note 25, at 19.

[28] *See* FDIC, *supra* note 5.

[29] The stories in this report appear unedited and as submitted via our website. *See* Consumers Union, DefendYourDollars, Share Your Story, http://defendyourdollars.org/share_your_story.

[30] The time estimate is based on claims banks make on their own websites: HSBC estimates that it takes three days or more to open a checking account, *see* HSBC, Frequently Asked Questions, http://www.us.hsbc.com/1/2/3/personal/online-services/oao/faq#faq10, while Bank of America suggests seven to ten business days, *see* Bank of America, Frequently Asked Questions, http://www.bankofamerica.com/deposits/checksave/index.cfm?template=lc_faq_applyonline&context=&statecheck=IL&cd_bag=&sa_bag=&ch_bag=#question7.

So why aren't more people switching? . . . Unfortunately, obstacles can crop up along the way that can derail even the most attentive consumer.

House (ACH)[31]) out of the old account by giving the relevant third parties that initiate such transactions all new account information. Once all automatic deposits and debits are transferred into the new account, the consumer must contact the old bank and close that account, and move any remaining funds from the old bank to the new.

Unfortunately, obstacles can crop up along the way that can derail even the most attentive consumer. There may be delays and uncertainty regarding automatic transfers, fees, or the risk of encountering punitive practices such as reopening closed accounts. Bank disclosures typically fail to contain even rudimentary information necessary for consumers to figure out how to close an account. In short, the way that the big banks currently structure the account-closing process puts the onus on consumers to ensure a smooth transfer, while the banks control the means to make it happen.

Moving Money Takes Time and Money

Banks today make every effort to ensnare customers in a web of products, which can make it difficult for consumers to walk away. In defending the $5 debit card fee, Bank of America CEO Brian Moynihan stated that the goal of the fee was to "bring more relationships" by encouraging consumers to sign up for additional products that would trigger a waiver of the $5 fee.[32] As one bank analyst would put it, "Banks are not making money off of lower-tier checking accounts, so they're moving towards relationship banking."[33] "Relationship banking" means that today's consumers, in order to qualify for fee waivers, are required to use multiple bank products, such as mortgages or credit cards, thus making is harder to leave. Guggenheim Securities analyst Marty Mosby explains:

> "What banks are doing, is saying you will have an annual fee, or we will have you pay for checks, or find other little things that were free before, if you don't have a certain amount of products or a certain amount of balances"…. "[the number of] relationships that each household has with banks is going to go down, as they concentrate their relationships to avoid fees," which "raises the average relationship per households, removes one-product households, and creates inertia, to make it even harder to change banks."[34]

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[31] Fin. Mgmt. Serv., U.S. Dep't of Treasury, Overview: ACH, http://www.fms.treas.gov/ach/index.html.

[32] Laura Marcinek, *Moynihan Says BofA Debit-Card Fee to 'Bring More Relationships'*, BLOOMBERG BUSINESSWEEK, Oct. 18, 2011, *available at* http://www.businessweek.com/news/2011-10-18/moynihan-says-bofa-debit-card-fee-to-bring-more-relationships-.html.

[33] Jeanine Skowronski, *Banks pushing 'premium' accounts*, MSNMONEY, Mar. 16, 2012, *available at* http://money.msn.com/saving-money-tips/post.aspx?post=20c8733d-d1b3-4764-85d2-ee2cb070a679 (statement of Alex Matjanec, co-founder of My BankTracker.com).

[34] Phillip van Doorn, *Overdraft Rules Mean Consumers Will Pay Up, or Get Out*, FORBES, Feb. 23, 2012, *available at* http://www.forbes.com/sites/thestreet/2012/02/23/overdraft-rules-mean-consumers-will-pay-up-or-get-out/.

It can take four to six weeks for automatic transfers to start going in and out of the new account.

Banks also encourage consumers to utilize services that automate ordinary transactions, such as bill payments – which further tethers consumers to their existing bank accounts. Many consumers have their paychecks or benefits deposited directly, use online bill pay, or have payments for everything from gym memberships to magazine subscriptions automatically debited from their accounts. Switching these electronic transactions can seem overwhelming to consumers.[35] To make the switch, consumers must contact the third parties that initiate the transactions, be that an employer, government agency, utility company or mortgage servicer, to update their account information. It can take four to six weeks for automatic transfers to start going in and out of the new account.[36]

The long wait may be intimidating for consumers who have to transfer multiple automatic deposit and debit arrangements to a new account. "The technology locks you in and [the banks] are keenly aware of it," says Robert Smith, a former banking executive.[37] According to a recent study by J.D. Power and Associates, even among people who were very dissatisfied with their banks, nearly 40% had no plans to switch.[38] It may be because of their online banking relationship. A study by Aspen Marketing Services indicates that consumers who have a form of online bill pay are 76% less likely to leave their bank than consumers who do not use online banking, while those who have five or more automatic debits per month are 95% less likely to leave their bank.[39]

Another explanation may be that consumers do not become motivated to switch banks until they experience a noticeable change in service: according to a new global study on consumer attitudes toward banks, most consumers are currently satisfied with their banks, yet express little loyalty toward them.[40] Half of the consumers surveyed indicated that they would leave their current banks if quality of service dropped, or if they were charged more fees.[41]

In any case, once consumers are motivated to switch banks they encounter real hassles in moving automatic transactions from old to new accounts. These consumers told us about the nightmares of transferring automatic deposits and debits to a new bank:

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[35] Kevin Wack, *The Big Switch: Just How Hard Is It to Change Banks?*, AM. BANKER, Oct. 25, 2011, *available at* http://www.americanbanker.com/issues/176_207/debit-card-fees-Bank-of-America-BofA-interchange-1043494-1.html?zkPrintable=1&nopagination=1.

[36] *Id.*

[37] Nelson D. Schwartz, *Online Banking Keeps Customers On Hook for Fees*, N.Y. TIMES, Oct. 15, 2011, *available at* http://www.nytimes.com/2011/10/16/business/online-banking-keeps-customers-on-hook-for-fees.html?pagewanted=all.

[38] Wack, *supra* note 35.

[39] ASPEN MARKETING SERVS., ONLINE BILL PAY LONGEVITY AND LIFETIME VALUE STUDY 2 (2009), *available at* http://graphics8.nytimes.com/packages/pdf/business/Aspen_Executive_Summary.pdf. Fiserv sponsored the study. *See* Press Release, Fiserv, New Fiserv-Sponsored Study Finds that Online Bill Payment Results in More Profitable and Loyal Financial Institution Customers (Apr. 1, 2009), *available at* http://files.shareholder.com/downloads/FISV/0x0x284398/e2f135bd-9ba8-41e8-84f8-1c97f9b312df/FISV_News_2009_4_1_Industry_Releases.pdf.

[40] CAPGEMINI, WORLD RETAIL BANKING REPORT 2012 9-11 (2012) (on file with authors).

[41] *Id.* at 11 (53% of consumers would leave their banks if quality of service declined; 50% would leave over new fees).

> "I'm a BofA customer. We're outraged at the new fee, but can't simply close our account and move on. **Because of the incentives to utilize direct deposit and automatic bill pay services, it will take us MONTHS to transition to a new bank**, during which time we'll be incurring this ridiculous fee. Most people in similar situations will probably decide it's too much work and simply take it. Plus, many people don't have sufficient cash reserves to fund a new primary checking account until they can get their paychecks and bill payments redirected."
>
> \- Michael from Edmond, Oklahoma

> "**I had checks stolen and was forced to close my bank account. Once I had an account open at a new bank, it took me several months to move over my direct deposits and the half dozen automatic debits that I had set up. Getting it all straightened out was a nightmare.** Much as I'd like to change banks, I don't even want to think about it because it was so much work."
>
> \- Peggy from Greshman, Oregon

Having enough money to maintain two accounts during the switching process can also pose a significant barrier.

Having enough money to maintain two accounts during the switching process can also pose a significant barrier. While waiting for institutions to redirect automatic transactions, consumers usually have to keep a float – a cash buffer – in both old and new accounts to ensure that all of their bills are paid on time. Because the transfer process can take four to six weeks, the only safe bet is to have enough money in both accounts to cover any potential auto-debit. This may not be a feasible option for many people on a tight budget, and can result in late payment penalties or overdraft fees.

Consumers may also need to maintain the minimum balances required by both accounts to avoid monthly maintenance fees. In recent months banks have been raising these minimum balance requirements and making it increasingly difficult to avoid the monthly fees.[42] For those who can least afford to pay additional fees, the need to meet such requirements for two accounts is another disincentive to switching.

One consumer told us it took him several months, and thousands of dollars in cash reserves, to move his money smoothly to a new account:

> "In the past several months, I've been moving from Bank of America to a local bank that I feel is more responsive to my needs. **What a time consuming process! It took several months of preparation - finding a bank, opening an account, gathering all the information about direct deposits and automatic debits - before I could make the final switch.**

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[42] In May 2011 Bank of America imposed a $1,500 minimum balance requirement. *See* Simon Zhen, *Bank of America to Increase MyAccess Checking Account Fee in May*, MYBANKTRACKER, Apr. 28, 2011, *available at* http://www.mybanktracker.com/bank-news/2011/04/28/bank-america-increase-myaccess-checking-account-fee/. In June 2010, Wells Fargo's Value Checking minimum balance increased from $1,000 to $1,500, and the monthly maintenance fee increased from $2 to $5. *See* Martha Shifrin, *Wells Fargo Checking Fees: 2011 Checking Account Review*, MYBANKTRACKER, Jan. 4, 2011, *available at* http://www.mybanktracker.com/bank-news/2011/01/04/wells-fargo-checking-fees-2011-checking-account-review/. Over the fall of 2011, Citigroup quadrupled the minimum balance required to waive the fees on its mid-level checking account, from $1,500 to $6,000, and doubled the monthly maintenance fee from $7.50 to $15. *See* Martha C. White, *supra* note 13.

I also had to seed the new accounts, being sure to leave enough money in the old accounts and in the new accounts to pay bills, since I had no way of knowing which account might be debited. This meant I had to have thousands of dollars in both accounts at any given time.

While it took time to change, doing without all the fees and angst and stress and irritation is worth it."

- Greg, Tulsa, Oklahoma

In addition to the time and money needed to maintain two accounts . . . consumers may be confronted with steep fees to close accounts or transfer money into new accounts.

Fees to Close Accounts and Receive or Transfer Funds

In addition to the time and money needed to maintain two accounts while in the process of switching, consumers may be confronted with steep fees to close accounts or transfer money into new accounts.

Three of the banks surveyed (HSBC, PNC and US Bank) charge a $25 fee to close an account that has been open for fewer than 180 days. Two more banks (BB&T and Citi) charge a $25 fee if the account is closed within 90 days.[43] Though this fee may not apply for most consumers who are closing their accounts, there may be circumstances in which a consumer has a legitimate reason for closing a fairly new account – a life change such as divorce or a geographic move, or even a check fraud problem like Peggy's story above.

It may also cost consumers to get their remaining balances deposited into their new accounts while trying to simultaneously close their accounts. None of the banks surveyed will make a free, same-day electronic transfer of remaining funds to a new account outside of the bank. Consumers can empty accounts by making an online transfer of all remaining funds to the new account. However, "zeroing out" the account in this manner does not close it, and it may well trigger a monthly maintenance fee if the consumer is required to keep a minimum balance to avoid fees but fails to close the account right away. Writing a personal check to obtain the balance of funds from the old account is not recommended because the account would have to remain open for the final check to clear, which could be delayed depending on the hold the new bank puts on the check. In order to reduce the risk of triggering fees or a reopened account, the account should be emptied and closed at the same time after all direct deposits and automatic payments have been successfully re-routed.

Consumers can side-step problems with emptying and closing their accounts at the same time either by having the old bank electronically transfer the remaining funds to the new account, obtaining a cashier's check for the remaining balance, or by getting the remaining balance in cash. With the exception of obtaining the balance in cash,

[43] *See* Appendix, *infra*.

consumers may end up paying fees to receive or transfer the remaining funds. All of the banks surveyed charge for wire transfers or certified checks, a preferable option over taking the risk of transporting sums of cash from one bank to another. For example, TD Bank charges $8 for a certified check and $25 for a wire transfer,[44] two methods its PR representatives recommend for getting remaining funds when closing a TD account.[45] The banks we surveyed charge from $7 to $10 for a certified check and from $24 to $30 for a wire transfer.[46]

On top of these upfront fees, consumers are at risk of incurring penalty fees after they switch banks.

These fees still apply if consumers close their accounts remotely. For example, Wells Fargo customers can close their accounts by mailing a request to the bank. Wells Fargo sends the customer a certified check, for which they charge $10.[47] To make matters worse, it can take seven to ten business days for the customer to receive the check.[48] Once the consumer deposits the check to the new account, it may take at least two to seven business days before the funds are available for withdrawal.[49] Consumers with mortgage payments and other hefty monthly bills may have to maintain a substantial cash reserve in their old accounts while waiting for the deposits into their new accounts to become accessible.

Even if a consumer successfully switches to a new account, the saga may not end there – because some banks reopen old accounts.

On top of these upfront fees, consumers are at risk of incurring penalty fees after they switch banks. The old bank may charge for overdrafting an empty account or bouncing a check, and merchants and other billers may penalize for late payments if a consumer encounters delays while transferring funds or automatic payments to the new account. These fees may disproportionately impact low- or middle-income consumers, who, if they make even one mistake, may find that they cannot pay for their basic living needs.[50] For the transition to be smooth – especially with low-balance accounts – consumers need access to the funds in their new accounts much sooner.[51]

[44] TD Bank, Personal Fee Schedule, https://esecure.tdbank.com/net/accountopening/1_fees.pdf.

[45] Letter from Brittney C. Bernard, TD Bank Public Relations Associate, to Lauren Bowne, Consumers Union (Mar. 22, 2012) (on file with authors).

[46] *See* Appendix, *infra*.

[47] Wells Fargo, Value Checking, Your Checking Account Fees – Simplified, https://www.wellsfargo.com/downloads/pdf/checking/fees/value-CA.pdf.

[48] Email from Richele J. Messick, Wells Fargo Corporate Communications, to Lauren Bowne, Consumers Union (Mar. 27, 2012) (on file with authors).

[49] Amounts in excess of $5,000 can be held for up to seven business days before they are available for withdrawal. 12 C.F.R. § 229.13(b) (2012) (exempting amounts in excess of $5,000 from general rule that funds must be available after two business days); § 229.13(h)(4) (allowing funds in excess of $5,000 to be held an extra five business days).

[50] *See* CAL. REINVESTMENT COALITION, MAKING THE GRADE: ARE CALIFORNIA'S BIGGEST BANKS FAILING CONSUMERS? 20 (2011), *available at* http://www.calreinvest.org/system/resources/BAhbBlsHOgZmSSIxMjAxMS8wNC8xOC8xN181Ml8yNF8xMzlfTWFraW5nX3RoZV9HcmFkZS5wZGYGOgZFVA/Making_the_Grade.pdf.

[51] INSUFFICIENT FUNDS: SAVINGS, ASSETS, CREDIT AND BANKING AMONG LOW INCOME HOUSEHOLDS 4 (Rebecca M. Blank & Michael S. Barr, eds., 2009).

"Zombie" Accounts

Even if a consumer successfully switches to a new account, the saga may not end there – because some banks reopen old accounts. Two of the ten banks surveyed, Chase and Bank of America, reserve the right to reopen closed accounts. Chase will reopen an account if the bank receives a deposit to the account.[52] Apparently, not everyone within Chase is aware of this fact. Only one of the secret shoppers was warned that his account could be reopened, and Chase's own spokesperson denied that the bank involuntarily reopens accounts.[53] Bank of America's policy is to reopen a closed account if any activity – credit or debit – hits the account.[54] These involuntarily reopened accounts are commonly called "zombie" accounts.[55]

Zombie accounts are worrisome not only because they defy the express wishes of the consumer, but also because they can result in consumers owing hundreds of dollars in fees. It may start with an account opening fee, or an overdraft fee if a debit hits the account. Costs could escalate with the imposition of a monthly maintenance fee, along with additional overdrafts and late payments as additional debits hit the account. The consumer may not even know what has happened, because banks have no obligation to inform the consumer that the account has been reopened. That means that the first news a consumer gets about the reopened account may be a statement for the closed account that lists the accumulated fees and outstanding balance.

One consumer told us that her old bank reopened her closed account several times and charged her overdraft fees:

> "**Even after the account had been closed, Bank of America kept re-opening the account to process charges that should have been returned "account closed" and charge overdraft fees.** I had already notified my auto-pay creditors that I had closed the BofA account but not in time for them to update their computers of the change. It took over 3 months and a threat to hire an attorney for damages plus file a formal complaint with regulators to get Bank of America permanently CLOSE the account."
>
> \- Mary from Orange Park, Florida

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[52] Chase, Deposit Account Agreement, at 14, *available at* https://www.chase.com/online/services/document/deposit_account_agreement.pdf.

[53] Email from Patrick Linehan, Senior VP, Communications JPMorgan Chase, to Lauren Bowne, Consumers Union (Mar. 22, 2012) (on file with authors).

[54] Bank of America, Deposit Agreement and Disclosures, Closing An Account, https://www2.bankofamerica.com/efulfillmentODAO/new_window_np.cfm?appURL=https://www2.bankofamerica.com/efulfillment/&showdaddoc=91-11-2000ED&daddoc2use=20120301&type=1&view=htm#2c.

[55] *See, e.g.,* Catherine New, *Bank Accounts are Hard to Close, and Even Harder to Keep Closed*, HUFFINGTON POST, Jan. 31, 2012, *available at* http://www.huffingtonpost.com/2012/01/31/zombie-checking-accounts-_n_1245065.html?ref=business.

It's not even in the fine print!

It can be difficult to find out what a particular bank's closing policies are – either because they are not mentioned in disclosures or because customer service representatives apply the policies inconsistently.

Consumers Union's research found that the written account disclosures and websites for all of the top ten banks lacked clear account closing policies. Moreover, some customer service representatives gave conflicting advice to consumers about how to close an account. In the case of Chase, the biggest bank we surveyed, two secret shoppers visiting Chase branches were told that accounts had to be closed in person, while two other secret shoppers were told they could also close an account by phone. Yet according to Chase's PR representative, a Chase checking account can be closed at a branch, by phone or mail.

While several studies have examined the difficulties consumers face in deciphering voluminous bank disclosures[56] or the particular inadequacies of banks' online disclosures,[57] our research highlights the fact that it can be difficult to find out what a particular bank's closing policies are – either because they are not mentioned in disclosures or because customer service representatives apply the policies inconsistently. If a consumer has insufficient access to clear, step-by-step instructions on how to close an account safely and cheaply, then it may be quite difficult to estimate potential switching costs and time delays. This creates yet another barrier to moving one's money.

INTERNATIONAL EFFORTS TO ADDRESS SWITCHING

The obstacles to switching banks are not unique to U.S. consumers. Australia and the European Union have recognized and taken some steps to address these problems.

The obstacles to switching banks are not unique to U.S. consumers. Australia and the European Union have recognized and taken some steps to address these problems. Both the Australian "Account Switching Package" [58] and the EU's "Common Principles for Bank Account Switching" [59] aim to streamline the process of identifying and initiating the transfer of automatic payments from an old account to a new one.

Although steps in the right direction, the existing Australian and EU models do not go far enough because they rely heavily upon the banking industry to develop and carry out the reforms – and as a result have met with limited success.[60]

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[56] *See, e.g.*, PEW HEALTH GROUP, HIDDEN RISKS: THE CASE FOR SAFE AND TRANSPARENT CHECKING ACCOUNTS (2011), *available at* http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Safe_Checking_in_the_Electronic_Age/Pew_Report_HiddenRisks.pdf.

[57] For an excellent discussion of the difficulties consumers face in locating fee schedules and account disclosures online, *see* U.S. PIRG, BIG BANKS, BIGGER FEES 6-7 (2011), *available at* http://www.uspirg.org/reports/usf/big-banks-bigger-fees-0.

[58] Australian Payments Clearing Ass'n, Switching Made Easy, http://apca.com.au/docs/about-payments/switchingmadeeasy_gettinghelp.pdf.

[59] EUR. BANKING IND. COMM., COMMON PRINCIPLES FOR BANK ACCOUNTS SWITCHING (2008), *available at* http://www.eubic.org/Position%20papers/2008.12.01%20Common%20Principles.pdf.

[60] *See* CONSUMER ACTION LAW CTR., SUBMISSION INQUIRY INTO COMPETITION WITHIN THE AUSTRALIAN BANKING SECTOR 10 (2010), *available at* http://www.consumeraction.org.au/downloads/CALCSubmissiontoSenatebankinginquiry061210.pdf; BEUC, EASY SWITCHING? – A LONG WAY TO GO 22 (2010), *available at*

In Australia, the banks are required to develop a fact sheet with instructions on how to switch and the help each bank will provide. The old bank must provide the consumer a written list of the past 13 months of direct debits and credits and the new bank will help the consumer reestablish the customer's debit and credit arrangements against the new account.[61] This service has proven inadequate because although it requires a modest effort on the part of the old and new banks to assist the consumer, the consumer is ultimately responsible for reestablishing recurring payments to the new account.[62] Acknowledging the shortcomings of this system, Australia's Deputy Prime Minister and Treasurer commissioned a study in 2011 on how to improve the service.[63] As a result, the Australian Government adopted the study's recommendation of a service whereby the consumer can sign a form that authorizes the new bank to transfer all automatic transactions linked to the customer's account and inform associated creditors and debtors about the new account details.[64] The Government has established a Treasury-led working group including industry, consumer groups and other stakeholders to finalize the details of the new service, which will be introduced on July 1, 2012.[65]

Account number portability would streamline the account switching process by eliminating the need for consumers to notify third parties of their new account details.

The EU Common Principles, developed by the European Banking Industry Committee (EBIC), provide a voluntary framework for facilitating the switch of consumer accounts between banks. The Common Principles put the onus on the banks to transfer recurring payments. Banks must provide consumers with switching guides and carry out the necessary tasks to switch the account if the consumer wishes. However, a recent European Commission compliance investigation found that banks were not following the principles and the vast majority of consumers who attempted to switch had problems.[66] In fact, 81% of consumers in the study were unable to open a new bank account and successfully switch their standing orders for automatic payments from old to new accounts.[67] The European Consumers' Organization (BEUC), headquartered in Belgium and representing 41 independent consumer organizations from 29 European countries, conducted its own independent study to evaluate banks' compliance with the Common Principles. After reviewing disclosures and employing mystery shoppers, BEUC also found that compliance was very inconsistent, and concluded that a voluntary system

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http://www.beuc.eu/BEUCNoFrame/Docs/1/HBCMGLJBBAJDACAHGMGBGEKNPDWY9DBYC69DW3571KM/BEUC/docs/DLS/2011-00183-01-E.pdf.

[61] CONSUMER ACTION LAW CTR., *supra* note 60, at 10.

[62] *Id.*

[63] BERNIE FRASER, BANKING SERVICES: COST-EFFECTIVE SWITCHING ARRANGEMENTS (2011), *available at* http://archive.treasury.gov.au/banking/content/reports/switching/downloads/switchingarrangements_aug2011.pdf.

[64] Press Release, The Hon. Wayne Swan MP, Deputy Prime Minister and Treasurer, Taking the Headache Out of Switching Bank Accounts (Aug. 21, 2011), *available at* http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2011/095.htm&pageID=003&min=wms&Year=&DocType=0.

[65] *Id.*

[66] EUR. COMM'N, THE FINAL REPORT: CONSUMER MARKET STUDY ON THE CONSUMERS' EXPERIENCES WITH BANK ACCOUNT SWITCHING WITH REFERENCE TO THE COMMON PRINCIPLES ON BANK ACCOUNT SWITCHING 23 (2012), *available at* http://ec.europa.eu/consumers/rights/docs/switching_bank_accounts_report_en.pdf.

[67] *Id.*

would not be enough to remove the burden on consumers to ensure a smooth transition to a new account.[68]

Account Portability

In response to the limitations of the Australian and EU models, consumer groups in both regions have advocated for a mandatory system that enables consumers to take their account numbers with them when they change banks, to facilitate account switching.[69] Account number portability would streamline the account switching process by eliminating the need for consumers to notify third parties of their new account details. However, concerns about costs of needed infrastructure changes have limited the development of such systems.[70]

Currently, the only country that has implemented a portable bank account system is Sweden, whose Bankgiro system (privately owned by Bankgirocentralen, or "BGC") distributes "Bankgiro" numbers and functions as a central processor facilitating transactions between banks.[71] BGC's role in the system involves authorizing and clearing transactions.[72] Settlement, or the final extinguishing of payment obligations, does not take place in BGC's system but in the RIX, which is the central Swedish settlement system and operated by the Riksbank.[73] All banks operating in Sweden, including U.S.-based institutions, offer Bankgiro services.

The Bankgiro system provides customers with a Bankgiro number (usually 7 or 8 digits), which can be linked to any bank account and functions as a reference number to direct transactions. The Bankgiro number is not a bank account number, but an address that can be connected to the bank account of the customer's choice.[74] If a consumer changes banks, the consumer can keep the existing Bankgiro number and payments will continue to work as usual.[75] As a result, Swedish customers can easily take their accounts to the banks offering the best rates and services.

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[68] *See* BEUC, *supra* note 60, at 22.

[69] *See, e.g*., CONSUMER ACTION LAW CTR., A CONSUMER PLAN FOR AUSTRALIAN BANKING COMPETITION 1 (2010), *available at* http://www.consumeraction.org.au/downloads/AConsumerPlanforAustralianBanking-bankingcompetition081110.pdf; BEUC, *supra* note 60, at 2.

[70] *See* CHOICE, CHOICE REPORT: BETTER BANKING 28-29 (2011), *available at* http://www.choice.com.au/reviews-and-tests/money/banking/saving-money/banking-report.aspx (click link to "Better Banking report") (discussing Australian banks' concerns about technical costs of bank account portability system); IND. COMM'N ON BANKING, INTERIM REPORT: CONSULTATION ON REFORM OPTIONS 124 (2011), *available at* http://s3-eu-west-1.amazonaws.com/htcdn/Interim-Report-110411.pdf (referencing industry concerns about revamping payment infrastructure to allow for portable account numbers).

[71] Bankgirot, About the bankgiro system, http://www.bgc.se/Default____5057.aspx (last visited May 18, 2012).

[72] Bankgirot, About our services, http://www.bgc.se/Default____5032.aspx (last visited May 18, 2012).

[73] *Id.* The Riksbank is Sweden's central bank and an authority under the Swedish parliament.

[74] Bankgirot, *supra* note 68.

[75] *Id.*

By permitting customers to take their Bankgiro numbers to any bank, the Bankgiro system eliminates one of the largest barriers to account switching: having to inform third parties of new account details. An additional benefit of the Bankgiro number is that Swedish customers have the power to take their business more easily to the banks that provide the best services and respond to their needs. Whether Swedish customers are more likely to switch banks remains unclear at present, in part because the Swedish government already imposes strong consumer-oriented requirements on banks. Sweden is one of six EU countries that give its residents a legal right to a basic bank account.[76] Furthermore, one Swedish consumer advocate claims that easy access to low- or no-cost Internet banking with smaller, consumer-oriented banks in the country has contributed to consumers typically staying put.[77]

Still, advocates in other countries, such as Australia, have pointed to the success of portable mobile phone numbers in the telecommunications industry as evidence that bank account portability could increase competition in the banking industry as well.[78]

RECOMMENDATIONS

Consumers must be able to exercise choice to exert their power in the marketplace. Choice drives competition, which is good for consumers and enables good banks to more easily attract consumers by providing better value. It is clear that there are genuine obstacles to bank-switching that limit consumers' ability to move their money. Banks incentivize consumers to connect their checking accounts to multiple online products, which tends to lock consumers into "sticky" relationships with their banks. The current system puts the onus on consumers to ensure a smooth transfer, while the banks hold the means to execute it.

To facilitate consumer choice, Congress, the Consumer Financial Protection Bureau (CFPB) and other banking agencies should investigate and make policy changes that create a sensible framework for consumers to move their money safely and cheaply. The recommendations below would help simplify and streamline the switching process, thereby fostering genuine consumer choice and competition in the market for consumer bank accounts.

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[76] EUROPEAN PARLIAMENT, BASIC BANKING SERVICES 10 (2011), *available at* http://www.europarl.europa.eu/document/activities/cont/201111/20111118ATT31909/20111118ATT31909EN.pdf.

[77] Telephone conversation between Jan-Erik Nyberg, Swedish Consumers Ass'n, and Derik Hilliard, Consumers Union, July 26, 2011 (transcript on file with authors).

[78] *See* CHOICE, *supra* note 67, at 28-29.

1. Banks should bear the responsibility of transferring automatic credits and debits from old to new accounts.

When a consumer attempts to switch banks, the responsibility for tracking and transferring all of the automatic payments connected to that consumer's bank account should lie with the entities most able to do so – the old bank and new bank.

Congress should amend the Federal Deposit Insurance Act (FDIA)[79] to require the consumer's old bank to communicate with the new bank and ensure that all automatic credits and debits are transferred smoothly. The old bank should get permission from the consumer to communicate with the new bank, and then initiate contact with the new bank to begin the process.

There should also be a 14-day time limit by which all automatic payments and direct deposits in and out of the old account are sent to the new bank account. This will ensure that bills are paid and paychecks or government benefits are received uninterrupted. Written confirmation should be provided to the consumer when each payment is rerouted.

2. Require option of same-day electronic fund transfer at no cost to consumer.

To reduce the time it takes to close an account, safely transfer funds and access them in the new account, Congress should amend the FDIA to require banks to provide a same-day electronic fund transfer from the consumer's old account into the new account free of charge.

3. Reduce checkhold times on consumers' deposits into new accounts.

Congress should amend the Expedited Funds Availability Act (EFAA)[80] to reduce checkhold times, so that consumers who transfer funds into new accounts by check can have quicker access to their funds.

Under current law, consumers who deposit checks into their accounts may have to wait anywhere from two to seven business days to access the money, depending on the size of the check.[81] Special rules that apply to "new" accounts may allow banks to hold certain deposits longer than usual.[82]

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[79] 12 U.S.C. §§ 1811-1835a (2006 & Supp. V).

[80] 12 U.S.C. §§ 4001-4010 (2006 & Supp. V).

[81] 12 C.F.R. §§ 229.13(b), (h). Amounts in excess of $5,000 can be held for up to seven business days after the business day on which the consumer deposits the check. *See* discussion *supra* note 49.

[82] 12 U.S.C. § 4003(a)(3); 12 C.F.R. § 229.13(a) (exempting "new" accounts from requirement that funds must generally be made available in two business days).

To smooth the transition, especially for lower-balance consumers on a tight budget, funds deposited by check should generally be made available the next business day. To ensure that consumers who need to make larger payments, such as mortgage payments, have essential cash available to pay their bills, Congress should also amend the EFAA so that extra wait times for large deposits apply to amounts in excess of $10,000, not the current $5,000.

The Federal Reserve and CFPB can also exercise their joint authority to amend Regulation CC, which implements the EFAA, to (1) shorten the time period during which an account is considered "new" from 30 days to 15 days,[83] and (2) reduce general checkhold times to "as short a time possible."[84] To further shorten the time period, Congress should also amend the EFAA to include Saturday as a business day.[85] This would allow a consumer to open a new account a few weeks in advance, with enough time to get in a minimum deposit or set up direct deposit to waive maintenance fees at the new bank, and then switch over the balance from old bank to new without extra delays that prevent access to all the funds.

4. Banks should not charge punitive fees to close accounts.

Account closing fees are a deterrent to switching accounts. There are valid reasons why consumers may change their minds soon after opening a bank account, including unexpected life events such as divorce or geographic relocation, fraud on the account, or even unfavorable changes to the terms of the account soon after opening. The CFPB should gather data to determine how long it takes on average for a bank to recoup its account opening costs and restrict excessive or punitive closing fees after that occurs.

5. Closed should mean closed.

Congress should amend the FDIA to generally prohibit closed accounts from being reopened. The CFPB can also use its authority to prohibit unfair, deceptive or abusive practices[86] to stop banks from reopening accounts closed by consumers.

Additional procedures may be needed should a stray one-time credit hit the old account: for example, a tax return, student loan disbursement or other important payment. Congress and the CFPB should consider options such as requiring banks to automatically reroute any payments to the new account for the first year after a consumer closes the old account, or an "opt-in rule" whereby a consumer can affirmatively consent in writing to

[83] 12 U.S.C. § 4003(a) (giving CFPB and Federal Reserve Board joint authority to shorten new account period); 12 C.F.R. § 229.13(a) (2012) (defining "new" accounts to include accounts open during the first 30 calendar days).

[84] 12 U.S.C. § 4002(d)(1).

[85] 12 U.S.C. §§ 4001(3), 4006(a).

[86] Dodd-Frank § 1031, Pub. L. No. 111-203, 124 Stat. at 2005.

allow the old bank account to accept a deposit that hits the old account. As part of the opt-in rule, the old bank must notify the consumer immediately that the account was reopened to receive the credit, and the bank must take appropriate steps to transfer the money to the new account, notify the depositor of the new information and re-close the account.

Banks should also be required to provide a written, dated confirmation at the time a consumer makes an in-person request to close an account. If the consumer closes over the phone or online, the confirmation should be mailed within three business days.

6. Require account closing disclosures.

Congress should amend the Truth in Savings Act (TISA)[87] to require that banks disclose account closing procedures and all relevant fees in a clear location within the account disclosures. The CFPB can also do this by rule.[88] Banks are required under TISA to disclose account closing fees, but not the process for closing accounts or how consumers can avoid paying account closing fees. None of the surveyed banks included any information in their disclosures about closing an account whereas they all provide "switching kits" that explain how a consumer can move their money into the bank.[89]

The CFPB should also create a model disclosure form that clearly lays out how to close a bank account. This form should be provided upon request of such information and be easy to locate on a bank's website.[90]

7. Examine feasibility of bank account number portability.

Many of the obstacles in this report would be moot if consumers could take their bank account numbers with them from one financial institution to another, as they can with mobile phone numbers when they switch carriers. This would streamline the account switching process for consumers by eliminating the necessity for them to notify third parties of the new account details.

The CFPB, in cooperation with the Federal Reserve Banks, Treasury, and other relevant banking agencies, should research the feasibility of developing a bank account portability

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[87] 12 U.S.C. §§ 4301-4313 (2006 & Supp. V).

[88] The CFPB has authority under the Truth in Savings Act to prescribe account disclosures stating the terms and conditions, including fees and charges, associated with a bank account. 12 U.S.C. § 4303(a). The CFPB can write regulations that require "such other disclosures as the [agency] may determine to be necessary to allow consumers to understand and compare accounts." § 4303(d).

[89] *See, e.g.*, BB&T Bank, http://www.bbt.com/bbt/switch/; Chase, https://www.chase.com/index.jsp?pg_name=ccpmapp/individuals/shared/page/switchkit_resource_center; and HSBC, http://www.hsbc.co.uk/1/2/switching-to-hsbc for examples of "switch kits."

[90] The CFPB has authority under Dodd-Frank Section 1032 to create model disclosure forms. 124 Stat. at 2006-07.

system in the U.S. The study should look specifically at what entity would best perform the clearing and settlement functions for this new system, as well as address any potential privacy concerns that may arise. This should be an open process and the agencies should seek input from the industry and the public.

CONCLUSION

Switching bank accounts takes time, money and substantial attention to detail in order to avert some of the costly and aggravating side-effects of an ineffective or incomplete transition from old bank to new. Although consumers do have different banks to choose from, this "choice" is very hard to exercise when trying to switch bank accounts. A few common sense fixes would facilitate the switching process and promote healthy bank competition.[91] If policymakers fail to take action, consumers who are leery of the effects of a botched switch may stick with institutions that cost too much or otherwise fail to meet their specific needs. In turn, big banks in the U.S. will continue to dominate the marketplace without being fully responsive to consumers' interests. Competition spurred by consumers exercising their choice is crucial to ensure that banks offer the best possible services and products and that consumers have real purchase power in the market for consumer bank accounts.

[91] Easy bank switching is one in a set of recommendations Consumers International has proposed to the G20 to promote competition in financial services. *See* CONSUMERS INT'L, SAFE, FAIR AND COMPETITIVE MARKETS IN FINANCIAL SERVICES: RECOMMENDATIONS FOR THE G20 ON THE ENHANCEMENT OF CONSUMER PROTECTION IN FINANCIAL SERVICES 22 (2011), *available at* http://www.consumersinternational.org/media/669348/cifinancialreport2011.pdf.

Fee Comparison Chart for Checking Accounts

	Bank of America	BB&T	Chase	Citi	HSBC	PNC	SunTrust	TD Bank	US Bank	Wells Fargo
How can an account be closed*	Branch	Branch; phone; online	Branch; mail; phone	Branch; phone; online	Branch; phone; mail	Branch; phone; mail	Branch; mail; phone	Branch; phone	Branch; phone	Branch; phone; online
Electronic transfer of balance to new account	No	No	No	No	No	No	No	No	No	No
Fee for certified check	Not listed in disclosures	$6	No charge.	$10	Not listed in disclosures	$10	$8	$8	$7	$10
Fee for wire transfer	Fee varies	$24	$30	$25	$30	$25	$30	$25	$30	30
Closing fee	No	No	No	Yes	Yes	Yes	No	No	Yes	No
If closing fee, how much and when does it apply	N/A	N/A	N/A	$25 (open < 90 days)	$25 (open < 180 days)	$25 (open < 180 days)	N/A	N/A	$25 (open < 180 days)	N/A
Account closing statement sent	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Closed accounts re-opened if deposit	Yes	No	Yes	No	No	No	No	No	No	No
Closed account re-opened if debit	Yes	No	Disclosures say re-open for deposit only	No	No	No	No	No	No	No
Can fees be incurred post-closure	Yes	No	Yes	No	No	No	No	No	No	N

SOURCES

* indicates question answered by bank customer service

Bank of America: Personal Schedule of Fees, effective Mar. 1, 2012 (https://www2.bankofamerica.com/efulfillment/documents/91-11-3000ED.20120227.htm) and Deposit Agreement and Disclosures effective Mar. 1, 2012 (https://www3.bankofamerica.com/deposits/odao/popup/disclosure_popup.cfm?template=dad&RequestTimeout=300)

BB&T: Personal Services Pricing Guide, effective Apr. 1, 2012, (https://www.bbt.com/roao/pricingguide/NC.pdf) and Bank Services agreement (https://www.bbt.com/roao/misc/BSA.pdf:)

Chase: Deposit Account Agreement Additional Banking Services and Fees for Personal Accounts, (https://apply.chase.com/OAO/DisclosureRetriever.aspx?DI=aHR0cDovL2FwcGNvbnRlbnQuYmFua29uZS5uZXQvUlNJL0RlcG9zaXQvUEVSU19BTExfTUtUUzNfQUJTRl9FTkcuZmRm) and Deposit Account Agreement, Privacy Notice, How to Contact Us, https://www.chase.com/online/services/document/deposit_account_agreement.pdf

Citi: Marketplace Addendum, https://online.citibank.com/JRS/popups/ao/Citi_Marketplace_20120224.pdf, and Client Manual Consumer Accounts, U.S. Markets, http://www.citibank.com/us/geb/resources/pdf/cmanual.pdf.

HSBC: Checking Account Terms & Charges Disclosure, Basic Banking, http://www.banking.us.hsbc.com/personal/deposits/chking_tcs.pdf?ts=462012113927197, and Rules for Deposit Accounts, http://www.us.hsbc.com/1/PA_1_083Q9FJ08A002FBP5S00000000/content/usshared/Personal%20Services/Online%20Services/Online%20Account%20Opening/Shared/PDF/G2333SF_6-10.pdf.

PNC: Consumer Schedule of Service Charges and Fees, https://content.pncmc.com/live/pnc/personal/serviceCharges/NC_Outerbanks_ServiceCharges.pdf, and PNC Account Agreement for Personal Checking, Savings and Money Market Accounts, effective Dec. 5, 2011, https://www.pnc.com/webapp/unsec/Requester?resource=/wps/wcm/connect/fdc168004aeb77518abcfa0d999373d3/DepositAgmt_Checking.pdf?MOD=AJPERES&CACHEID=fdc168004aeb77518abcfa0d999373d3.

Sun Trust Personal Deposit Account Fee Schedule, effective Mar. 1, 2012, https://www.suntrust.com/Static/Documents/Global_Navigation/About_Us/Corporate_Governance/Public_Information/Fee_Schedules/FS_RETAIL_E.pdf, and Sun Trust Rules and Regulations for Deposit Accounts, https://www.suntrust.com/Microsites/PDF/Rules_Regs_Deposit_Accts.pdf.

TD Bank: Personal Fee Schedule, effective April 2012, https://esecure.tdbank.com/net/accountopening/1_fees.pdf.

US Bank, Consumer Pricing Information, effective Feb. 1, 2012, http://www.usbank.com/pdf/Region3/CPI.pdf.

Wells Fargo, Consumer And Business Service Fees, https://www.wellsfargo.com/wfonline/deposit_acct_fees.

DISCLAIMER: Fees may vary across regions at some banks.

ConsumersUnion
POLICY & ACTION FROM CONSUMER REPORTS

Moving Your Money to a New Checking Account
Tips for Consumers

If you are not happy with your bank, consider moving your money to an account at a new financial institution. Vote with your dollars!

To help you do so safety, we've put together this checklist so you can take the appropriate steps to ensure that all of your bills are paid on time and you avoid being charged overdraft fees. This will require that you maintain two checking accounts at the same time, at least for a while.

Step 1. Open your new bank account with a small deposit.

Why? Once you choose a bank or credit union, make sure to open a new account before taking any steps to close your old account. Deposit just enough to open the account and avoid any fees the bank may charge for maintaining a low balance.

Why? The safest and quickest way to move your money is to transfer the funds from your old bank to your new bank electronically. To do this, both accounts must be open at the same time.

Step 2. Make a list of all the automatic payments and deposits that are scheduled to go in and out of your old account each month. See the chart below as an example.

Why? This is to help you organize and keep track of all of the automatic transfers that are tied to your old account, so that you can make sure there is enough money in the old account for all your payments to clear during the process of moving your money to your new account.

Automatic Payments	Automatic Deposits
Credit Card Payment- $100 (1st of the month)	Joe's direct deposit paycheck- $1000 (1st and 15th of the month)
Car Loan- $400 (15th of the month)	Jill's direct deposit paycheck- $2000 (1st of the month)
Utilities Bill- $100 (1st of the month)	Employer expense reimbursements and other places that are linked to your checking account
Transfer to Savings- $100 (15th of the month)	
Toll Tag, Paypal, Gym Membership, etc (Auto-payments that are linked to your checking account)	

Step 3. **If you have direct deposit, ask your employer to reroute your paychecks to your new account. Ask what date the first deposit will occur and use this date to guide you through Step 4.**

Why? Sometimes it can take more than one pay cycle to complete the rerouting. If so, you should make sure that your automatic payments are not transferred to the new account until your paycheck is transferred.

Step 4. **Once you know what date your direct deposits will transfer, reschedule each automatic payment or debit to come out of your new account. Make sure to ask the company what date the change will apply.**

Why? Sometimes it could take one whole statement period to reflect the change. If this is the case, make sure you leave enough money in the old account to cover the payment when it occurs.

Step 5. **Leave at least a small amount of cash in your old checking account for at least one more month.**

Why? This will ensure that every payment will be covered if you happen to forget about something. The amount you leave may depend on whether your old bank or credit union charges you a fee for maintaining a low balance. If so, try to leave the required amount to avoid a charge.

Step 6. **Once you are sure that all automatic payments and all direct deposits are coming and going from your new account, electronically transfer the final funds from your old account into the new account.**

Why? Though it may take a few days before an electronic transfer clears, transferring money electronically is generally the fastest, cheapest, and safest way to move money from one account to another.

Step 7. **Once the transfer clears in your new account, follow the procedures for closing an account at your old financial institution. Make sure to obtain written confirmation that your account is closed.**

Why? Your account does not automatically close when you withdraw all of the money; you must follow the process laid out by your financial institution to make sure you close the account properly. By obtaining written confirmation that your account is closed, you can rest easy that you've taken the appropriate steps. If you don't close the account, you might get hit with a monthly account maintenance fee even after you stop using it.