

THE THINGS YOUR BANK WON'T TELL YOU

The vast majority of Americans has a bank account of some sort, and chances are good that most of them don't know the tricky tactics banks employ to pad their own pockets. But on The Early Show on Monday, June 1, 2009, financial contributor Vera Gibbons shared some of what might be called these "dirty little secrets":

(don't know about you, but I always think of my bank as a service provider, not a business that's out there to rip me off. But get this: 53 percent of a bank's income today comes from FEES. (\$3 ATM fees, \$30 minimum balance fees, etc) To make matters worse, many of these fees are *sneaky.*

Vera will be here to share some of the ways that banks are making money off of their customers today.

OVERDRAFT FEES

Industry experts that Vera spoke with confirm that overdraft fees pose the biggest threat to bank customers' pocketbooks. A recently-released FDIC study found the following:

- * Banks earned \$1.97 billion in overdraft fees (in 2006 - latest official numbers available)
- * This \$1.97 billion represents 74 percent of all service charges collected by banks.
- * Younger and low-income people are most likely to be hit with these fees.

The vast majority of banks allow you to make a debit-card purchase or withdraw money from an ATM even if you don't have the cash in your account to cover the cost - and they DO NOT alert you that you're overdrawing. If you don't realize you're overdrawing your account, you are likely to continue overdrawing all day long. You'll be hit with a fee of around \$30 each time you do this. To make matters worse, about half of banks will not simply deduct the money you spend as you spend it from your account. Instead, they will look at everything you've spent in a day and subtract the *largest* check/debit item first, and then so on down your list of expenditures.

So, let's say you start the day with \$1000 in your bank account and you make the following purchases:

- * \$5 latte
- * \$150 grocery store
- * \$8 car wash
- * \$3 greeting card
- * \$900 rent

If the bank only charged you when you officially overdraw your account, you would receive one charge of \$30, because you would not overdraw until you wrote a check for \$900. But, banks say they want to *help* you by paying your biggest charges first, claiming they assume that these big ticket items are more important and must be paid with sufficient funds. So in that case, you wind up with FOUR overdraft charges, for a total in fees of \$120. And yes, this is totally legal.

Vera says you can avoid overdraft fees by doing the following:

- * Opt out of "protection plan" - your banks likes to position its overdraft protection as a service, though it comes at a big cost to you. Typically, they sign you up for this automatically when you open an account. Tell your bank you don't want their protection; you will simply be turned down when you try and make a purchase you can't afford.
- * Sign up for alerts - Many banks will automatically e-mail or text you once your account reaches a certain balance. Go online to set up this service.
- * Link your accounts - At most banking institutions you can ask to have your savings account linked to your checking account. When you overdraw your checking account money is automatically transferred from your savings account to cover the purchase. You may be charged a small "transfer" fee, but it will be nothing compared to the overdraft fee.

FREE ACCOUNTS AREN'T FREE

Beware of banks touting "free checking accounts." Legally, this only has to mean that there is no fee tied to the balance in the account, or to the number of checks/debits used each month. But even in these free accounts, know that you can and will be charged a multitude of other fees - fees for using another bank's ATM, foreign transaction fees when you travel, fees for checks, perhaps fees for simply owning a debit card, the list goes on. Thanks to bad loans, shaky investments and rising defaults, banks are under pressure to shore up their balance sheets, so expect them to continue raising fees.

Experts also told Vera that we should expect to see more fees associated with debit cards down the road. As credit remains hard to come by, banks will push their debit cards as a replacement, and will then tack on all kinds of new charges.

Banks are required by law to disclose fees and interest rates to potential customers ... As a matter of fact when you are shopping for a bank, experts say this is the most important area to examine. However, many banks fail to comply with this law.

The Government Accountability Office recently visited 185 bank branches and found that 1/5 of institutions did not provide comprehensive lists of fees when asked, and 1/3 failed to disclose terms and conditions of their fees. Even worse, more than half did not have any of this information on their web sites.

UNEMPLOYMENT BENEFIT CARDS

The last item we want to discuss clearly doesn't apply to all bank customers, but it may apply to the growing number of people who are unemployed. Plus, it's something we have not discussed on the show before, and deserves some attention.

Numerous states (30+) now send unemployment benefits on a pre-paid debit card as opposed to a paper check. (some will direct deposit money into your bank account too) Bank of America, U.S. Bank, Chase and Wells Fargo primarily issue the cards. This is much cheaper for the state governments than printing and mailing out paper checks.

Here's where we get back to our theme of bank fees: the cards containing the unemployment benefits come loaded with fees, something many people don't realize until they are hit with the fees themselves. (just to editorialize for a minute, I think this is terrible ... You are already out of a job, and then adding insult to injury you have to pay money to access your unemployment. Uggg) Users can be charged 10 cents to \$3 for withdrawing money, using the card to make purchases, using the card at their own bank ATM, checking the account's balance, or even inactivity.

The best way to avoid these fees is to have your unemployment benefits direct deposited into your own bank account. If this isn't possible, your best bet may be to take the card to the issuing bank's ATM, withdraw all of the money and then immediately deposit back into your checking/savings account.