

Free Checking Increased After Debit Reform

- The banking and credit card industry likes to claim that consumers had fewer options for free checking accounts following debit reform, but their claims are demonstrably wrong.
- Banking industry data demonstrates that free checking actually increased from the time debit reform went into effect at least for its first few years in operation.
 - The American Bankers Association reported that 61 percent of banks had free checking in 2014 after debit reform had been in effect for several years, which compares favorably to the 50 percent of banks with free checking that the ABA reported in 2010 and the 39 percent of large banks that Moebs Services reported offered free checking two months prior to debit reform taking effect.¹
- In fact, the banking industry rapidly got rid of many free checking account offerings in the years *before* debit reform ever took effect in 2011- not *after* debit reform.
 - First, the banking industry blamed the 2008 financial crisis as the reason why they had to take away free checking and charge consumers higher fees.²
 - Then, the industry pivoted and started blaming overdraft regulations for their decisions to increase checking account fees.³
 - In fact, some even had the temerity to suggest that they had to increase checking fees because they couldn't make the same money from risky mortgages anymore.⁴

¹ Cadence Bank, "ABA: Most Americans Pay Nothing for Bank Services," formerly available at <https://cadencebank.com/about/resources/aba-survey---most-americans-pay-nothing-for-bank-services> (this and other traces of the American Bankers Association's press release showing more free checking after debit reform have been removed from the ABA's website and others, but the link above is one of the places where that release was previously available and the original text of the ABA press release can be viewed by entering the weblink into the Internet Archive tool at [Wayback Machine](http://www.archive.org)); American Bankers Association, "ABA Survey Shows Majority of Bank Customers Pay Nothing for Monthly Bank Services," available at <http://www.prnewswire.com/news-releases/aba-survey-shows-majority-of-bank-customers-pay-nothing-for-monthly-bank-services-104516904.html>; Ismat Sarah Mangla and Tali Yahalom "Bank Accounts: Get a Fair Shake, not a Shake-Down," CNN Money (Aug. 31, 2011) available at https://money.cnn.com/2011/08/31/pf/bank_accounts.money/index.htm ("This was backed by data from Moebs Services, which found that 39% of big banks offered free checking in 2011, down from 64% in 2010").

² *Rising Bank Fees are Setting Records*, *USA Today* (Oct. 27, 2008), available at http://www.usatoday.com/money/industries/banking/2008-10-26-atms-fees-checks-banks_N.htm ("The high fees come at a time when banks are struggling to unload bad mortgage loans."); *Banks Boost Customer Fees to Record Highs*, *Wall Street Journal* (Nov. 12, 2008), available at <http://online.wsj.com/article/SB122645109077719219.html> ("Banks are responding to the troubled economy by jacking up fees on their checking accounts to record amounts.").

³ *Is Free Checking on its Way Out?* *CNNMoney.com* (July 2, 2009), available at <http://moremoney.blogs.money.cnn.com/2009/07/02/is-free-checking-on-its-way-out/> ("Bank customers used to the perks of free checking accounts -- unlimited check writing, online banking, debit card use and ATM access, to name a few -- might have to recalibrate their expectations soon. That's because overdraft fees, which banks use to subsidize the expense of free checking accounts, have been under fire by consumer advocacy groups."); *Banking Expert: Free Checking Accounts aren't Long for this World*, *WalletPop.com* (Aug. 31, 2009), available at <http://www.walletpop.com/2009/08/31/banking-expert-free-checking-accounts-arent-long-for-this-worl/> (Following the Credit Card Accountability Responsibility and Disclosure Act and overdraft regulations, "banks are already trying to think of new ways to make their profits.")

⁴ *The End of Free Checking? Not at Credit Unions!* *Credit Unions Online* (June 17, 2010), available at <http://www.creditunionsonline.com/news/2010/The-End-of-Free-Checking-Not-at-Credit-Unions.html> ("Since

- All of these various excuses for the drop in free checking offerings were made long before debit reform came into being. The litany of excuses was summed up well in a 2011 article written when banks were blaming debit reform for their increases in checking fees – remarkably, doing this even before debit reform had ever taken effect – “The pattern is getting old and weary. Banks will raise checking fees whenever and wherever they think they can get away with it. And they will blame any convenient development for their choices.”⁵
- The banking industry typically relies on two fatally flawed studies to try to show that reductions in free checking that came before debit reform – reductions they blamed on the financial crisis and limits on overdraft fees – were actually caused by debit reform.
 - These studies take January 2009 as the measuring point for free checking prior to debit reform even though those reforms did not come into effect until October 2011, more than two full years later.
 - The number of checking accounts without monthly fees fell by 11 percentage points just from 2009 to 2010 – still a year before debit reform.⁶
 - But, by counting the remarkably swift and steep reduction in the number of free checking accounts that occurred during the financial crisis and blaming that on debit reform (which came later), these studies magically claim that debit reform reduced free checking. It didn’t.

banks can no longer charge many credit card fees of the past and high risk (high fee) mortgages are gone, banks are finding themselves short of revenue. . . . Now the banks are coming after your checking account to make up the difference.”)

⁵ David Balto “The Bankers’ New Goat,” HuffPost (May 25, 2011) available at https://www.huffpost.com/entry/the-bankers-new-goat_b_834615.

⁶ *Region Banks Refrain from Raising Checking Account Fees*, [Nwi.com](http://www.nwitimes.com/business/local/article_337b378b-3f74-5a00-9d86-b9e6b3d58799.html) (Nov. 9, 2010), available at http://www.nwitimes.com/business/local/article_337b378b-3f74-5a00-9d86-b9e6b3d58799.html (“Bucking a national trend, the region’s community banks aren’t raising fees or putting the breaks on free, non-minimum-balance checking accounts, yet. A recent Bankrate.com national survey on checking accounts indicates the percentage of checking accounts with no monthly service charges and no minimum balance fell to 65 percent in 2010 from 76 percent in the 2009 study.”)