

## Overdraft and ATM Charges: Watch out for Hidden Bank Costs

Would you agree to a loan with a 500% APR? Of course not. But you may unwittingly be doing just that if your bank offers “courtesy” overdraft protection.

ATM usage comes at a hefty price and is among a number of fees bank customers are hit with, often unknowingly, each year. In addition to bounced-check fees and overdraft-protection charges, you’re susceptible to being socked with foreign-ATM-user fees. In fact, in 2005, banks collected well over \$30 billion in service fees for checking and other deposit accounts, up 20% from two years prior, according to the Federal Deposit Insurance Corp.

Consumer advocates say many of these fees can be avoided if only customers would select the right account for their banking needs and were aware of the fees associated with it. However, many consumer advocates have found the detailed account-fee information is often omitted from general bank brochures and is reserved for less-distributed literature.

Now, I have a confession... Earlier this year, I fell victim to this myself before changing banks. During a period of 6 months, I racked up over \$100 in fees. I had no idea my bank was covering my gaps, so I continued spending based on the balance that appeared on my online statement. Little did I realize that any money added to the account was being used to pay back the “loan” I never requested and the fees associated with this service, making my actual balance lower than I thought. Then the kicker was, notification came by mail, long after the charges had been deducted from my account.

Say, for example, you overdraw your account by \$100 and your bank graciously agrees to cover this amount. According to the Consumer Federation of America, there will be a fee of at least \$20 for this privilege. If you pay the amount back in 14 days, the average amount of time for repayment, the loan will have had an annual percentage rate of a whopping 541%.

Avoiding overdrafts has become more of a challenge with the passage of Check 21. This federal law expedites the check-cashing process by making it easier for banks to electronically transfer check images rather than relying on the physical transfer of paper checks. Now from a consumer standpoint, you can no longer take chances that your deposit will get to the bank as fast as your withdrawals.

Now don’t get it twisted... Banks are willing to pay to keep the ATM system going and they gladly pay it because it’s a service for their consumers. The flip side is banks are less enthusiastic about financing the service for customers who don’t have assets at their banks, thus, the additional charge.

In addition, ATMs and debit cards also can be potential minefields of bank fees. ATMs save banks money (\$2.50 per teller transaction vs. 25 cents for an ATM transaction) and are a FREE service as long as you conduct transactions at your own bank’s machines. The minute slip your card into an out-of-network ATM, you’re subjected to surcharges – usually one from your own bank and another from the machine’s host bank – that average \$2.50, according to NYPIRG. If you withdraw \$20 from an ATM with a \$2.50 fee, you’re essentially being charged 12.5% to access your own money. On the other hand, debit cards have made conducting retail and online transactions easier, but, according to NYPIRG, 57% of banks charge a point-of-sale fee at an average amount of 89 cents.

I’m definitely not saying the “bounce protection” isn’t a valuable customer service. It’s definitely an alternative for potential overdraft issues to guard a person’s account against fees as well as a way to manage ones account. Now the bottom line, especially in a more technological world, consumers still need to balance their checkbooks.

So, in short, you are not going to find out anything about bank fees from brochures or on the Internet. You want to ask them from the truth-in-saving brochure that is the fee schedule for the bank. They must give it to consumers, but they don’t make it easy to find. Not to mention, most banks don’t want us to shop around but we have to avoid the financial ‘GOTCHA’ syndrome. Most important, remember to balance your checkbook.