Are Hidden Bank Fees Ripping You Off?

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Huffington Post January 25, 2013

A lack of transparency and disclosure around bank fees has created prohibitive barriers that keep many people from fully taking advantage of banks.

As Wharton management professor Keith Weigelt points out, "Many people do not like banks because they are tired of being charged fees that were explained in small print that no one reads. They feel banks rip them off."

For example, one study shows that more than half the people who overdraw did not know they had signed up for overdraft coverage that would result in a fee. Yes, you heard right – opting for debit card overdraft protection may actually mean that you're hit with a fee if you don't have enough funds in your account to cover the withdrawal. If you opt out of overdraft protection, your transaction might be declined, but you also won't owe a fee. Bank revenue from overdraft fees rose to $31.5 billion from $30.8 billion the previous year.

Historically, lower-income diverse neighborhoods have always had disproportionately limited access to banks, which typically concentrate in wealthier suburbs. And many consumers are understandably wary of big banks after their widespread sales of predatory loans that triggered the financial crash of 2008.

New bank policies reacting to post-recession regulations have created even more fees for the average banking consumer. Because the Dodd-Frank Act limits the amount of money banks can collect from merchants, financial services firms are now attempting to recover lost revenue by imposing fees on products and services aimed at retail consumers. What's worse – many big banks are now aggressively pushing lower-income customers to choose high-fee financial products and banking options.

(One-quarter of all American households are either underbanked or not using banks at all, resorting instead to alternative sources of credit such as check cashers and payday lenders, according to a recently released survey by the FDIC.)

And because banks actively lose money by offering checking accounts, many firms are trying to find new ways to generate revenue. A new Bankrate.com study shows that checking account fees have hit new highs – it's increasingly difficult to get a free checking account with no strings attached. On average, customers can expect to pay $5.48 a month to maintain an account – up 25 percent from the previous year. Now checking accounts typically require a combination of fees, a minimum balance, or other similar stipulations.

Although it's understandable that consumers view banks with suspicion, payday lending is harmful to your financial health and is not a sustainable banking solution. One estimate shows that a typical household making $20,000 a year may pay up to $1,200 a year in payday lending fees, while the average banking customer pays $145 a year in bank fees. Moving forward, customers can get the most out of bank accounts by shopping around, monitoring bank statements, signing up for text alerts when your balance is low and finding simple ways to sidestep fees.

For example, many banks waive checking account fees for people who set up a direct deposit. Studies also show that 72 percent of the largest credit unions still offer free, no-strings-attached checking accounts. If you're fed up with big banks, and if you have a no-fee credit union close by, this may be the option for you. You can also link your checking account to a savings account that can be tapped if you overdraw so you avoid overdraft fees.