

ATM fees hit record high, free checking accounts decline

By Aaron Smith @ CNNMoney September 24, 2012 | 2:21 PM ET

Banks are hiking ATM fees to record levels and cutting back on free checking accounts, according to an industry report issued Monday.

The financial research firm Bankrate.com said ATM surcharges – the fee charged when you use a machine that isn't your bank's – rose for the eighth straight year, up 4%, to a record high of \$2.50.

In addition, the fee your bank charges to use another bank's ATM rose 11% to \$1.57. So for many customers, using an ATM from a competing bank costs \$4.07, an increase of 7% and a record.

Banks traditionally provide ATMs for free to their own customers, and cover their costs by charging consumers who use out of network machines, according to Greg McBride, senior financial analyst for Bankrate.com. But people are getting smarter about using only in-network ATMs, which means that the companies are trying to make up for that lost revenue.

And there is more bad news for consumers. Bankrate.com also found that 39% of non-interest checking accounts provided by U.S. banks are free of charge to all customers. That's compared to 45% last year and a peak of 76% in 2009, according to Bankrate.com.

McBride says the banking industry has lost income due to an increase in regulations, and that's made free checking accounts harder to find.

Related: What to do with \$10,000 now

"Two regulatory changes in particular have cut the legs out from free checking, one putting restrictions on overdraft charges, and the other limiting swipe fees when a consumer uses a debit card," he said.

The swipe fees that retailers pay every time a customer uses a debit card were reduced last year, said McBride. This followed regulations imposed in 2010 that placed limits on overdraft fees.

Swipe fees and overdraft fees helped underwrite the costs of free checking before the regulations were imposed, said McBride. Now, the bank industry is

more selective with free checking accounts, usually providing them only to preferred customers, such as those with direct deposit accounts.

And these types of cutbacks are affecting customer behavior. The annual report found that 72% of customers would consider switching accounts if their fees were raised -- up from 64% last year.

The report said that higher-income customers, with at least \$75,000 in their accounts, were most likely to switch, with 82% saying they would consider changing banks if fees were raised.

(Source: www.money.cnn.com)