

# Credit Unions Beat Banks in Checking Fees

By Michael Muckian, *Credit Union Times*

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Credit unions have once again come out on top when it comes to the consumer cost of checking accounts, according to a survey released [February 26] by Bankrate.com.

According to data collected by the online aggregator of financial rate information, 72% of the nation's largest credit unions still offer free standalone checking accounts, compared to just 38% of the nation's largest banks and thrifts.

An additional 26% of credit unions offer checking accounts that becomes free when certain financial requirements are met, which brings the total to 98% of credit unions, according to Bankrate.com.

The results are not surprising, according to Greg McBride, chief financial analyst for Bankrate.com. The results, he added, are consistent with trends of years past.

"Regulators have pushed many banks off the free-checking bandwagon by cutting fee income in other areas," McBride said. "Credit unions are subject to the same regulations as banks, but credit unions chose to pull other levers and let the checking accounts remain free."

What fees may be associated with checking accounts, or share draft accounts in the case of credit unions, also are more modest for credit unions than they are for banks, McBride said.

Based on survey results, 62% of credit union checking accounts do not have minimum opening deposit requirements and of those that do, no account required more than \$100 to open an account, the data showed.

The average overdraft fee for credit union was \$26.78 compared to \$32.74 for banks, according to the survey.

"Even in instances where you do see credit unions fees, they are lower than banks," McBride said. "Where monthly service fees do exist, credit union fees are about half of those charged by banks. Typically, withdrawal fees from foreign ATMs are \$1 cheaper than they are for banks."

One thing that hasn't changed is the role checking accounts play as anchor accounts for both credit union and banks, according to McBride. The widespread emergence of debit card has made checking accounts even more critical to a financial institution's relationship with consumers.

“The checking account is still the centerpiece of any banking relationship and a primary avenue to bring in new members or customers and low-cost deposits,” McBride said. “Ease of use is the biggest change that debit cards have made, and the ability to hook more features to electronic transaction make it less likely you will lose consumers to competing institutions.”

Credit unions’ member orientation tends to drive many of the financial advantages they offer compared to banks. The most effective credit unions have learned how to effectively market those advantages in what is becoming a more competitive landscape. McBride said.

“I think there’s an increasing awareness among consumers of credit unions, their value proposition and their own eligibility for membership,” McBride said. “That said, there are still plenty of consumers who have no idea about credit unions and could benefit investigating whether they’re eligible for membership.”