



Extension News Column

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Re: [Pinching Pennies to run Mondays on page A-3](#)
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The banking news lately has not been good for consumers. Fees are rising at a number of major banks. Though several of these banks don't exist here in Fairbanks, they are industry leaders and other banks may soon follow suit.

Bank of America made headlines last month when it announced plans to charge \$5 per month on debit card usage beginning in 2012. It is not the first bank to assess this charge. Wells Fargo and Chase are testing a monthly debit card fee in selected states, and SunTrust and Regions are already charging a fee to many of their customers. Other banks could follow with this debit card fee.

What is magic about \$5 a month? That's a reasonable amount to assume the bank will lose per customer under the new fee structure. The old fee was 44 cents per transaction and the new maximum fee is 24 cents, making for a loss of 20 cents per transaction per customer. Assuming the average customer makes 25 debit card transactions each month, that's \$5 per customer that Bank of America is losing under the new swipe fee. By charging each customer who uses a debit card to make a purchase an extra \$5 a month, the bank makes up for the lost revenue. Interestingly, the \$5 fee will not be charged to consumers who have a debit card and use it only at ATMs. ATMs have their own set of fees, not affected by the new swipe fee rule.

What should consumers do to avoid these escalating bank fees?

Become informed consumers. Ask questions. Bank customers need to find out what fees will be charged to their specific accounts. Banks have to let you know about any changes in charges to your account, so be sure to watch your mail for announcements from your bank. Don't mistake them for junk mail and automatically throw out these extra letters. Read them. If those notices are too hard to understand, call your bank and ask what charges will be assessed on your specific accounts.

After fully understanding those charges, then ask what you can do to avoid the charges. It may be that the charges could be waived if you carry a higher minimum balance, expand your banking relationship by opening up an additional account, do some online banking or limit the number of transactions.

Many banks may waive these fees if you meet certain requirements. You can't meet these requirements if you don't know what they are.

Make some personal decisions. When it comes to a monthly debit card fee, you need to decide if it's really worth having a debit card for that monthly cost. Do the math. Is it worth \$60 per year to have a debit card? Perhaps you should switch to using cash, checks or a credit card.

If you choose to use a credit card, make sure you are disciplined about your money. Make sure you limit what you buy and also pay off the entire balance on time each month to avoid steep finance charges. Even with these fees, debit cards are less expensive than carrying a balance on your credit card.

Shop around for alternatives. If you decide that these new charges are too much to pay, check out the alternatives. There are plenty of financial institutions that don't charge a monthly fee for a checking account or debit card use. Now may be the time for you to consider a community bank, credit union or online bank.

Be sure to investigate the restrictions and fees of each alternative institution that you are considering. Also, be sure to take your own spending habits and personal needs into account. It could be that the new bank doesn't have ATM machines that are accessible where you frequently work and shop, and your use of "outside" ATM machines could cost you as much as your current bank's new debit card fees. The responsibility is on the consumer to discover the fees you could be assessed at a new financial institution.

Often we get complacent about our accounts. Check out all the fees, costs and restrictions before putting your money in a financial institution. Be sure you know what you are paying and figure the entire cost of your bank account. To some, \$5 may not sound like much, but when you figure it as \$60 a year — now we're talking real money.

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